ECONOMICS IN ACTION • NOV. 1953

If you want to know what Government economists really think about our business future, keep an eye on changes in Treasury and Federal Reserve credit policies:

After eight months of steadily rising interest rates, the Treasury has about-faced and cut credit costs on its short-term securities. Commercial credit companies, which generally follow the Government's lead, promptly reduced their business loan rates. Mortgage credit, which has been unusually tight lately, is also expected to ease slightly, but consumer credit will probably be tightened. The Government's get-tough credit policy in the S.B.A. (Small Business Administration) has not materialized. Latest word is that interest rates on direct loans will remain pretty much what they were under the old R.F.C., although applications will be screened more carefully.

The Federal Reserve has reversed its hands-off policy on Government securities and has started quietly buying up Treasury Bills again. That means more money for other types of securities and loans.

Most important, these Government measures show that the experts no longer believe we are in an inflationary boom period. It is to prevent deflationary tendencies from getting out of hand that the Federal Reserve is cautiously relaxing its credit grip.

Businessmen are also beginning to talk deflation, although the economic picture is still very good. What worries the prophets is the uncertain outlook for 1954:

Auto makers plan to cut production 10% below 1953 next year. Since auto manufacturers are one of the

principal consumers of steel, that industry can expect some cutbacks, too.

Stock prices are still sluggish in the face of general economic uncertainty. Investors are putting less money into stocks and real estate, more into short-term securities. That means less capital investment and could foreshadow a slower rate of business expansion.

Demand for business loans is off in spite of a more plentiful money supply. In many cases this means nothing more than a slowdown in inventory buying, which has been rather hectic this summer, and is generally considered a healthy sign. In some instances, however, it reflects a dangerous pessimism that could lead us into a real recession.

Bright spot in this picture is the insatiable appetite of the American consumer who is currently devouring goods at a record annual rate of $231 billion. Many economists believe that a 5% boost in buying power by individuals could offset a $10 billion defense slash by the Government. A 10% income tax cut slated for next January should be a big boost to still greater buying.

The big question-mark in any long-range economic planning is defense. Russian possession of the H-Bomb may force the Administration to abandon hopes of a balanced budget for good:

At the moment, Secretary of Defense Wilson expects defense expenditures to dip by about $2 billion in fiscal 1955, but the odds are that defense estimates will be revised upwards before Congress meets next January. Pressure from some Republicans and Demo-

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challenge
MAGAZINE

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ECONOMICS IN ACTION

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a personal note

THE WORLD is now a divided sphere, and it seems the forces of division will be with us for a long time to come. The split between opposing camps grows larger each day; the prospect of reconciliation has all but disappeared into the deepening canyon. It is a strange difference of opinion that separates East and West. Both sides decry the same crimes; they profess the same objectives and use almost identical words in the charges and countercharges they hurl at one another. The split is almost total and is present in every expression of reason and emotion; for even the same words have taken on different meanings in each camp. And when there is "negotiation" between the two, they hardly can understand one another in the atmosphere of Babel which prevails.

What then is it all about? What is the cause of this division which casts nation against nation and ideology against ideology? Must it culminate in a desperately triggered atomic-hydrogen blast, bringing a final peace and macabre quiet to the world?

This is not the first time in world history that differences of opinion and interests have set men against one another. In prehistoric times, when man was primarily occupied with the problems of finding food, clothing and shelter, the issue often had to be resolved by simply clubbing a neighbor.

Admittedly, the play of forces today is on a larger stage. The struggle to live now has a complicated and superstructured nature. For modern man does not live by bread alone. He is moved by ideas. His brain works, as well as his stomach. And between the desires of brain and stomach, the simple and ancient question of how to make a living has developed into the complex problem of determining the best way to live—not only to survive, but to find a way of life.

THROUGHOUT history there have been many titanic struggles and cataclysmic eruptions effected by human beings in their quest for a better way to live. A dramatic example of such upheavals is to be found in a revolution whereby a single society tears itself apart over what constitutes a better way of life. When it comes to firing the political and social imaginations of the peoples of the world, the French Revolution

brought forth the most inspiring and dynamic symbols. It was a revolution with many facets, but basically it was primed by a desire on the part of the people to find a better way to live. The Revolution brought about major changes in the social and political processes of French life, but unfortunately only minor changes in national attitudes about economic progress. As a result, the French people today find themselves with all of the freedoms for political expression and with very little of the initiative for economic expression. The French government today inspires more than 60 percent of the economic activity of the country, and the people have lost the art of creating enough wealth on their own so that they might enjoy the ever-increasing produce of their labor. Even the magnificent slogans of the Revolution can hardly preserve the political stability of the country.

IN ANOTHER great revolution of even more modern times, we find still another kind of failure. The Russian Revolution was also unmistakably a struggle to determine how the people should live. This upheaval preoccupied itself almost totally with economic reorganization distinctly intended to benefit the proletariat. The overemphasis in Russia upon material gain has resulted in a politico-economic authoritarianism which sputters and sparks, moves forward and stalls, in keeping with the whims and inconsistencies of an overbearing bureaucracy.

Thus, France indulges her National Assembly to the point of anarchism. She has democracy, but no livelihood. Russia, on the other hand, has built Stalingrad and the Dnieper Dam, but the beneficiaries of these achievements have become the permanent captives of Malenkov and company.

Where is the middle road which can carry the world to a sound political democracy and to economic stability? Where is the system with which a society can maintain its political integrity, its economic initiative and material advance?

True, man today does not live by bread alone. But what of a world in which man has forgotten how to bake bread? And what of the world which offers bread alone and little else? This is what the struggle is about, and neither alternative is satisfactory. For Americans it is a race to show the troubled world how both objectives may be achieved—before it is too late.—HB

Changes in the outlook of Business, even more than Government, indicate we may never see another slump like that of the early Thirties

ANOTHER GREAT DEPRESSION?

by George R. Price

IN THE STREETS of Chicago, twenty years ago, a crowd of schoolteachers staged an angry demonstration over non-payment of their salaries. It ended in a regrettable free-for-all with club-swinging policemen. In the same year, thousands of banks all over the country failed, while business activity, unable to overcome the shock of the 1929 crash, succumbed in a state of utter exhaustion. A survey of the debris showed that nearly one-third of the nation's working men and women had fallen into enforced idleness.

Today, although we are still enjoying the effects of the greatest economic boom in history, fear of another serious depression seems to grow every month. To many it is no longer a question of *if* but *when?*

The answer is: possibly never.

Conditions now differ profoundly from those of the booming Twenties, with the exception of occasional mild recessions such as that of 1949; another Great Depression seems most improbable. It is possible that a depression of even moderate severity, like that of 1921, may not occur again.

We have heard a great deal of the important role that government plays in setting the tone of economic activity and of what the government might do to avert depressions. Undoubtedly, the powers of government in this regard have increased enormously since the Twenties. But there have been even more significant—though more subtle—changes in business attitudes. Let's examine some of these changes and see why we may never have another severe depression—even if military spending should completely cease.

First of all, just what is it that causes the ups and downs, the business cycles?

There are all sorts of conflicting schools of thought which, like the "Two-and-Seventy jarring Sects" of Islam of whom Omar Khayyam wrote, utterly confuse the layman who seeks an answer. Most of the

conflicting theories contain certain elements in common, however.

Modern economists generally agree that there are various "external" causes for business fluctuations, such as political events, technological changes, current agricultural conditions and the like. A new President is elected, better and cheaper plastics become available, there is widespread drought—all these things sooner or later can affect business activity. However, external causes other than wars produce comparatively minor fluctuations by themselves, except that their effects are enormously amplified by "internal" phenomena.

These internal phenomena, though complicated in detail, are simple in principle.

Businessmen normally try to manage their enterprises with an eye toward maintaining profitable operations. If they expect a boom, they prepare themselves for the expected rise in demand by increasing investments in machine tools, non-residential construction, and other forms of capital. These increased investments actually help to produce and augment the boom. However, the investment pattern that is most profitable during an economic boom is unprofitable in a period of recession. When the boom shows signs of coming to an end, therefore, business investments slow down, as does production, because there is expectation of a decrease in demand. Such policies help to develop and intensify the recession.

To a considerable extent, the economic cycle is the product of making wrong predictions. Presumably there is a certain level of investment that would permit continuous prosperity, but during booms over-optimism pushes investment too high, while during depressions pessimism causes under-investment. The problem, then, is one of keeping the investment pattern near its optimum level.

A CLOSER examination of this matter of "excessive" investment is in order. First of all, notice that it is *investment* that becomes excessive, not *production*. It isn't the full employment, the smoking factories, the long freight trains that make a boom dangerous. It is the extra investment, the extra purchasing power beyond that necessary for full employment, that causes difficulty.

In a time of almost full employment like the present, additional investment cannot greatly increase the production of real wealth. All it can do is distort the pattern of production and distribution. The extra money goes into short-term

By profession a research chemist at the University of Minnesota, George R. Price writes here as a serious analyst of contemporary economic affairs.

speculation and raises prices generally. It is this extra investment that is most vulnerable to a recession. If a boom seems to be leveling off, it is this money which is most quickly withdrawn and which does the most to set off and deepen a recession.

For stabilization, then, what we need to do is to discourage excessive investment during booms and encourage investment during recessions. But how can we accomplish this?

Let us look first at mechanisms by which the government can reduce fluctuations, and then examine changes in the attitude of private enterprise that now make business activity inherently more stable than it was in the Twenties.

FOR PREVENTING depressions, the major agencies of the federal government are of course the Treasury and the Federal Reserve System. But there are three additional offices, all created since the 1929-32 collapse, that should help immensely in preventing any repetition of that disaster.

The Securities and Exchange Commission makes highly unlikely the occurrence of another "Black Thursday" like October 29, 1929, when the stock market collapsed. The Federal Deposit Insurance Corporation should prevent any future banking crisis like that which led to the "bank holiday" of March, 1933. And the Social Security Administration will help maintain public morale during a recession.

As to what government fiscal policy should be to help smooth out fluctuations, the theory is well-developed. During boom times the federal government should follow a deflationary policy, spending frugally, taxing heavily, keeping interest rates high and retiring its debt.

On the other hand, if a marked recession does come, we can certainly expect prompt and vigorous action in the form of lowered taxes, lowered interest rates and a great public works program financed by borrowing.

Doubt remains, however, concerning the effectiveness of such a policy for combating depressions. During the Great Depression we enacted legislation to lower taxes and interest rates and to institute an enormous public works program; yet we recovered more slowly than many other countries. Furthermore, during the period from 1946 to 1949, prices went up while the government was following a deflationary policy, and went down while federal policy encouraged inflation.

Both in preventing over-investment during booms, and in recovering from recessions, it appears that *what business thinks and does will be much more im-*

portant than what government thinks and does.

FORTUNATELY, private enterprise in recent years has been changing in highly significant, though little recognized, ways. The most important change is that business management is now far more mature, sophisticated and less individualistic than in the past.

In comparison with the highly trained professionals who manage business today, the business leaders of the past—the great, almost legendary figures of Vanderbilt, Rockefeller, Morgan and Gould—appear like princes of the Italian Renaissance. Is it any wonder that there were economic crises in the United States—just as there were political and military convulsions in Italy under the Borgias and Medici?

Of course, even by the Twenties this pattern of rugged business and financial leadership had changed considerably. The booming era of the Twenties was more of a case of general economic feverishness than of headstrong leadership by a few giants. The United States was reacting exuberantly to its emergence as the economic and financial leader of the world. There was a wild rush to make money by stock speculation, risky foreign investments, complex manipulations of corporate finance. It was the Jazz Age in business as well as in social life.

Today everything is very different. We have been sobered by the successive trials of the Great Depression, World War II and our ideological and political struggles with Russia. Of course we still see striking examples of individual success—men like Henry Kaiser, Conrad Hilton, Bill Zeckendorf. But the characteristic pattern of business management, for today and tomorrow, is one of a group of specialists sitting around a conference table, planning long-range goals out of today's business capabilities.

WHAT ARE some indications of this new maturity?

First of all, the current business attitude is surprisingly pessimistic for boom times. For example, a recent "Business Outlook" section in *Business Week* magazine opens with the words: "Worry, worry, worry. It's all very well to talk of business staying on a plateau —a very high plateau—but nobody quite believes it." This is a good sign. During a boom, mild pessimism is healthy indeed. It helps us to keep both feet on the ground.

Secondly, there's been considerable preparation for a recession. For example, W. D. Kyle, Jr., President of the Line Material Company, described to the June conference of the American Management Association the way his

company had conducted a sort of rehearsal for a recession, making detailed plans for a quick readjustment in case of a downturn. In other words, businessmen today will not flounder under the shock and surprise of an economic downturn. The more preparation there is for a recession, the less likelihood there will be of a recession.

Third, there is growing concern among business and financial leaders over the amount of short-term consumer debt. *The Wall Street Journal* reported recently that a country-wide checkup showed banks and finance companies becoming increasingly cautious in granting loans. This is all to the good. The fewer consumers there are who would have to default on their debts in a recession, the less cause there is for a recession.

And fourth, the character of investment in the stock exchanges has been changing. The trend is toward long-term investment, away from speculation. Increasingly, small investors buy stocks through trusts and mutual funds instead of following their own uninformed hunches. The question nowadays is not so much: *Is this a bull market or a bear market?* but rather: *Is this a growth stock?* The fewer investors there are who would find it necessary to leap off a skyscraper in case of a stock market crisis, the less likelihood there will be of such a crisis.

But suppose that in spite of everything a downturn does occur.

In the first place, the new maturity of management will go far to prevent a major collopse. Any recession will seem more like an inevitable readjustment and less like the bottom dropping out of the world. Men who have based their investment plans on careful studies of population growth, on market surveys showing how much people plan to spend for automobiles or new clothes, on long-range trends in industry—these men are not going to panic at a downturn.

Secondly, business will not fall into a state of immobility, as it did in the Thirties, in the face of government fiscal and economic policies hopefully designed to overcome an economic emergency. Business today is sure of its own strength and will exercise the power of its convictions. Business will likely welcome government participation in recovery programs —without any feelings of doubt about its own role.

And finally, business has vastly improved techniques for creating and maintaining demand. As Thurman Arnold pointed out in a recent *Collier's* article, instead of expanding through development of a western frontier, the modern technique is to expand by creating absolutely new demands. And this is far more reliable. Land frontiers can always be exhausted, but

human desire for new and better products is inexhaustible. New inventions produce new possibilities, and modern advertising and marketing methods rapidly sell the new products.

Suppose that through some very unlikely sequence of events—like the collapse of communism in Russia—war production should suddenly stop. Would that produce a depression?

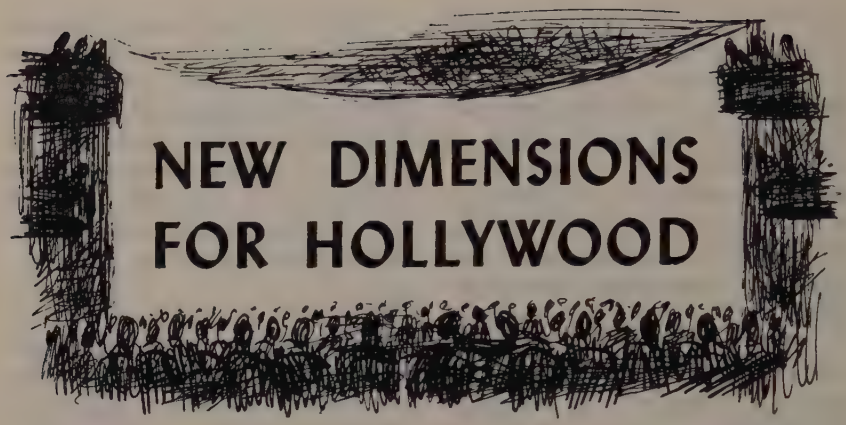
Probably not. There was no depression following the wholesale cancellation of war contracts at the end of World War II. Of course there existed then several years of accumulated demand for automobiles, washing machines, refrigerators and such. But we have tremendous accumulated demand right now—for color television, air conditioning, new clothes made of miracle fabrics, more dwellings, better highways. For this demand to show its full strength, all that is necessary is to release purchasing power by lowering taxes, and to release manufacturing facilities now used for military production.

If forty billion dollars of annual government spending stopped abruptly, that would leave forty billion extra dollars in the hands of taxpayers. Instead of a depression, the likely result would be a mad race to convert from war production and seize new markets.

For the United States to stumble into another great depression now in the face of our world-wide commitments would be disastrous. Even a sharp recession of a few months would be a calamity which we could hardly ignore. As the leader in the long-run struggle against communism, we cannot afford any such setback.

More than a hundred years ago the Communist Manifesto stated flatly that recurrent economic crises were the inescapable lot of capitalist societies. So far, this has proved to be true, although we can add that at the depth of the depression our standard of living was higher than any non-capitalist society at the peak of its economic growth. But now we must prove that a capitalist nation can progress with reasonable steadiness to ever-greater prosperity.

There is surely nothing inherent in full employment and maximum production which makes collapse inevitable. The economic cycles of the past were perhaps only the results of Medici mentality or Jazz Age fever. They represent an early stage of capitalism within circumstances that no longer apply. Today, to the extent that America shows how capitalism can continue to evolve, there is ample reason to hope that—barring the calamity of a major war—decades of uninterrupted prosperity lie ahead of us. ■



NEW DIMENSIONS FOR HOLLYWOOD

Cinerama, 3-D, CinemaScope et al have revived the public's desire to "see a movie." If the interest is to be held, Hollywood's artists must match her technicians

IT IS NOW almost a year since Cinerama opened to a keyed-up audience in New York and ushered in, for better or worse, a new era in motion pictures. With audiences becoming groggy from realistic roller coaster and speeding automobile rides, film companies began frantically experimenting with new camera and projection techniques. Their object was to give a "three-dimensional" illusion at a cost which both the studios and theaters could afford.

The rush for innovations resulted in a lot of confusion. At one time, there were as many as thirty-one variations on the three-dimensional theme on the market. Hollywood was caught in what the trade papers described as "the moment of great indecision." Studios were deserted as most companies cut production pending decisions about the new techniques. June, usually a time of peak employment in Hollywood, saw half of the 17,000 Hollywood members of the American Federation of Labor's International Alliance of Theatrical Stage Employees out of work.

The average theater owner, meanwhile, was anxiously waiting for *the* standard technique as he enviously watched the mounting box-office receipts of the more daring (and wealthy) exhibitors who had gambled on one system or the other.

The dust has now apparently settled and the list of serious con-

tenders is down to two: stereoscopic 3-D, and wide-angle or anamorphic techniques, of which Twentieth Century Fox's "CinemaScope" is perhaps the best known example.

Informed and impartial observers would go even further. They believe that the novelty of 3-D (to be viewed through glasses) has already worn off and that the future belongs to the wide-angle techniques.

ACTUALLY, neither 3-D nor anamorphic processes are technically novel. Motion picture engineers and technicians will tell you that the changes now taking place in your neighborhood theater would have happened twenty years ago had it not been for the depression. The advent of "Talkies" had already stimulated the desire for further changes. The market was full of "wide-screen" and stereoscopic camera and projection systems, but the 1930s was no time for heavy investments by studios and exhibitors.

By the time the effects of the depression had worn off, there came the war-time boom. Business was so good that nobody thought of changing. But *after* the war—that was a different story. Television appeared on the scene, and movie attendance dropped disastrously. Theaters began to close at the rate of five a day. The industry was ready for a change.

What happened last year, therefore, was more economic and psychological than technical. The success of Cinerama astonished motion picture executives and started them thinking, but not along Cinerama lines.

Although generally conceded to be artistically tops, Cinerama is much too expensive for mass production and exhibition. Theater conversion costs run as high as $150,000 and require three projectors, special sound equipment and a deeply-curved wide screen. The average-sized theater would have to be almost completely rebuilt and, to operate efficiently, payrolls would have to be tripled. Ten projectionists are needed to operate the three projectors alone. At a time when many exhibitors have a hard time keeping out of debt, that sort of investment is clearly out of the question.

THE RACE for economical 3-D had now begun. First entry, barely two weeks after the introduction of Cinerama, was Arch Obler's stereoscopic monstrosity "Bwana Devil" which surprised everybody in the trade by making the usual week's gross in two days. Box-office receipts are more convincing than the most logical arguments, and film companies now began rummaging in their studio attics for equipment they had discarded back

in the Thirties. Such artistic horrors as "Man in the Dark," "House of Wax," "Sangaree" etc. made their debuts and, in spite of what the critics said, did very well indeed. It seemed that 3-D was here to stay.

Stereoscopic 3-D operates on a quite different principle from Cinerama. Developed by the Natural Vision Corporation of Chicago, the whole process hinges on a special double camera, actually consisting of two cameras tied together. It takes two separate pictures, one each for the right and left eye. There are several such 3-D cameras on the market right now, but they all suffer from one weakness: the pictures they take cannot be viewed on the screen without special polaroid glasses to "unscramble" the double image into a three-dimensional whole.

The big advantage of 3-D is that it is relatively cheap and can be easily installed. All that's needed are two projectors—and most theaters already have a spare projector—a synchronization belt and a specially metallized screen. Polaroid glasses, which, according to law in some states, cannot be worn more than once, are an added expense at a dime a pair.

Even so, conversion costs run as low as $600 and seldom exceed $1,500. Unlike Cinerama, 3-D requires no tearing down of seats or elaborate rebuilding. Conventional, or 2-D pictures as they are now called, can also be shown. Screens need not be enlarged, although most exhibitors with an eye on the box-office are going in for wider screens. If they do, they must also install additional stereophonic sound equipment to match the enlarged image.

UNFORTUNATELY, 3-D has not been doing too well at the box-office lately. Once the novelty of having things thrown at you wears off—as it seems to be doing right now—audiences quickly tire. The glasses, which seldom fit anyhow, cause eyestrain and add to the general irritation.

Already, studios have started cutting their 3-D production plans and many exhibitors have cancelled their orders for equipment. The National Theater Supply Corporation, principal supplier of theater equipment in the U.S., reports that 3-D orders are at a standstill.

Most insiders believe that a radical change is needed, and they believe that Twentieth Century Fox's CinemaScope is a step in the right direction. Spyros Skouras, Fox's president, certainly thinks so — to the tune of a ten-million-dollar investment.

It all started this spring when Twentieth Century Fox announced that it had acquired rights to Pro-

fessor Henri Chretien's anamorphic camera and in the future all production would be in the new method. At first most producers thought they could get by on 3-D and were not too interested, but soon exhibitors who had seen sneak previews of "The Robe" started to jump on the bandwagon.

CINEMASCOPE is the "poor man's Cinerama," although right now the really poor man probably cannot afford it either. Artistically it is superior to 3-D. What happens is that a special wide-angle camera squeezes a wide picture on to standard 35 mm. film. An anamorphic projection lens in the theaters then "unsqueezes" this film and projects it on a slightly curved screen whose width to height ratio is 2.55:1. No glasses are needed.

CinemaScope does require some reconditioning of existing theaters and it is expensive. Conversion costs run as high as $25,000, although chances are prices will fall as factories standardize their product and start mass-producing. Bausch and Lomb, a Swiss firm that makes most of the anamorphic lenses for CinemaScope, only recently announced that it was cutting lens prices from $2,875 a pair to $1,800 or $1,700 a pair depending on size. That's a price cut of more than a thousand dollars in less than eight months.

Right now the most expensive piece of equipment needed is a magnetic sound system only recently developed by Twentieth Century Fox technicians. The most interesting feature here is a quadruple sound track run on a single strip of 35 mm. film. Since all CinemaScope productions are going to use this system, that means an added expense of $5,000. Most engineers consider this a worthwhile investment since it brings dimensional sound to the panoramic expanse of the wide screen.

Special luminous screens are also required, and so far only two manufacturers have come up to Fox standards. One is the CinemaScope Products Inc.'s "Miracle Mirror Screen." The other, which is not yet in mass production, is the "Magniglow Astrolite Screen" manufactured by the Radiant Manufacturing Corporation of Chicago. Price of the screen at three dollars per square foot is generally considered high, but here again mass production and competition will undoubtedly force prices down.

EXPENSIVE or not, the industry is really excited over CinemaScope. Warner Brothers is busy on its own "WarnerScope," which operates on the same principle as CinemaScope. Metro-Goldwyn-Mayer, Columbia, Allied Artists and Walt

Disney Productions are all planning CinemaScope films. Exhibitors are not too far behind; 4,000 theaters (out of a total of 18,000) have already placed orders with suppliers for CinemaScope, but production has not yet been able to keep pace, and most of these orders remain unfilled.

Why all this excitement? Is it only a last desperate gesture in the battle of survival against television, or is it something more?

People who have been watching the motion picture industry go through other crises before, believe it will weather this one too; but it won't be the same industry any more. Some radical changes in production and projection techniques are certain, and, in their opinion, CinemaScope (or some anamorphic process like it) combines economy with technical and artistic excellence most effectively.

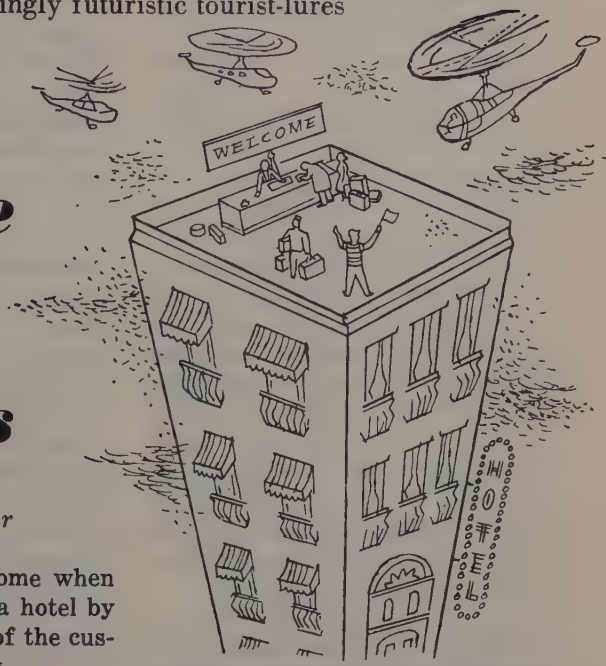
THIS DOES NOT mean that they believe your neighborhood theater is going to be equipped with CinemaScope next week—or next month. Smaller theaters may, in fact, never be converted for both technical and financial reasons. For a time, it is believed, these theaters will get along with the 300 million dollars worth of 2-D inventory still lying around and whatever conventional films the studios continue to produce. "Art" or "specialty" houses (theaters showing interesting, out-of-the-way films to a more discriminating clientele) may even increase their business. Many smaller theaters, however, are not expected to survive the drive for fewer and bigger theaters.

THE REVOLUTION in the type of picture you are going to see is perhaps even more significant. Films that rely on quick repartee or on characters that talk a lot will give way to production techniques emphasizing movement and panorama. You can expect more outdoor and adventure films, more historical drama and less comedy. Sets will be larger, but there won't be as many as in 2-D. As far as film stars are concerned, there will be more rehearsals which should mean better acting.

Nobody in the business (or out of it) believes that CinemaScope or any other production device will single-handedly "save" Hollywood. It may help by stimulating interest, but unless film companies learn to maintain that interest with quality pictures, business will continue to be lost to other media of entertainment. If the industry meets this challenge, however, with movies that "are better than ever," CinemaScope points the way to a regained prosperity for motion pictures. ■

Turnpikes and motels have forced the hotel industry to blueprint some surprisingly futuristic tourist-lures

The Future of Hotels



by Frank Taylor

THE DAY may soon come when you will check into a hotel by way of the roof instead of the customary street-level lobby.

When will this happen? As soon as helicopters become an ordinary means of getting from suburban airports to crowded downtown areas. Just as hundreds of hotel lobbies are now used as downtown airline terminals, hotel roofs will be pressed into service for "heliports." And since hotels are determined to make it as easy as possible for you to arrive and check in, they'll set up a "front" desk on the heliport—and you'll take the elevator *down* to your room.

If this seems fantastic, consider what hotels have already done to adapt themselves to changing trends in travel. Already you can *drive into* many hotels and unload your luggage in sheltered peace and quiet. The projected Sheraton hotel in Philadelphia, still in the blueprint stage, will enable you to register without even getting out of your car. Several hotels with motor entrances now have special adjoining motor lobbies; you can register

Frank Taylor has written travel and science articles for many magazines.

there without ever seeing the main lobby of the hotel. A few of these, such as the St. Anthony in San Antonio and the Commodore in New York, go one step further and provide direct elevator service from the motor lobby to all guest-room floors.

The Netherland-Plaza Hotel in Cincinnati has added another twist. You can drive through a motor entrance, set the brake, lock the ignition and go your way with full assurance that your car will be parked for you even though you have the keys. This is accomplished by means of an electrically powered dolly which lifts the car, rolls it into a huge elevator and then trundles it to a parking berth in the hotel's tower garage 25 floors above street level.

MOST HOTEL MEN are almost fanatically devoted to keeping ahead of the times. The minute a new trend appears on the horizon, they begin thinking up ways to adapt themselves to it. They are absolutely terrorized by the thought of obsolescence. Consider the fact that hotels have probably the shortest life-span of all commercial buildings. Almost before the ink on the mortgage is dry, somebody starts a multi-million-dollar modernization project. A few years later, somebody tears the hotel down so a new one can be built on the site. The old Waldorf, for instance, was only thirty-six years old when it was wrecked. The Ritz-Carlton, which barely outlasted World War II, was forty-one years old when the wreckers took over.

Perhaps the explanation of this seeming lust for change lies in the kaleidoscopic history of the hotel in America. The first colonial hotels were seaport inns and converted farm houses along the stagecoach routes. When the railroads succeeded the stagecoaches,

A Few Round Numbers

As many as two million travelers can find lodging in America's hotels on any given night. The 15,327 U.S. hotels listed in the *Hotel Red Book* have a total of 1,440,000 rooms, and each year they accommodate an average of 258,600,000 guests. With an estimated annual sales volume of $2,150,360,000, hotels rank as the nation's sixth largest service industry. Their dining rooms, coffee shops, cafeterias and lunch counters can serve 1,030,000 patrons simultaneously, and many hotels can double their dining capacities by serving meals in ballrooms and other public rooms. On an average day, hotels send to the laundry more than four million towels and two million sheets. Each year they buy fourteen million towels which, laid end to end, would stretch around the earth four times at the equator.

the wayside inns gave way to larger hostelries built near the railroad depots. As the cities grew, new hotels rose in the business and theatrical districts. And as the commercial traveler became more and more important to hotels, he demanded, and got, more luxurious accommodations.

IN THE FIRST two decades of the 20th century, the enormous growth of travel in America made the hotel business seem a highly profitable enterprise. This led to an era of overbuilding which resulted in disaster when the depression hit. On a national average, four out of every five hotels went bankrupt or passed through some form of financial reorganization. Widespread rate-cutting gnawed at the industry's economic vitals. When World War II again raised levels of occupancy, most hotels were caught by OPA regulations based upon rates geared to the dog-eat-dog competition of the 1930s.

The shortage of labor and materials that lasted throughout the war forced severe curtailment of normal maintenance and rehabilitation operations in most hotels. At the war's end, in addition to having to make up for lost time on these programs, hotel men were faced with a major upheaval in America's travel habits. The development of vast turnpike systems was diverting travelers away from the railroads and out onto the highways. Worse still, from the viewpoint of downtown hotel operators, the newer turnpikes skirted the cities, so the motor traveler often had to go out of his way to patronize them.

It has been this combination of circumstances—the vast backlog of rehabilitation and modernization requirements, plus a major change in the national travel pattern—which has revolutionized the hotel business in the past eight years.

WITH NEW TYPES of motels and motor courts mushrooming along most of the nation's highways, many downtown hotels were in a predicament where nothing short of a revolution could have saved them from financial failure. By 1951 it was estimated that nearly 80 percent of all vacation trips taken by Americans were made by car. And the number of business travelers who moved by car was constantly increasing.

The American Hotel Association took stock of the industry's collective problems and assets and mapped plans to cope with the changed travel trend.

Hotel men found that they had three principal problems to face: (1) many motorists are reluctant to leave the highway and drive through city traffic to a downtown hotel; (2) in choosing overnight

lodgings, the motorist looks for a convenient and safe place to park his car even before he considers his own comfort and convenience; and (3) the motor traveler likes to wear sports shirts and slacks, and he feels out of place in the relatively formal atmosphere that characterizes the lobbies of many hotels.

PROBLEM NO. 1, the hotel men reasoned, could be solved by selling the motorist on the idea that the comfort and convenience of staying in a well-run hotel was worth the extra effort of driving to the downtown location. They were confident they had a good competitive product to offer; the trouble was that only the most experienced travelers fully understood the advantages of stopping at a hotel.

For one thing, the hotel men pointed out, the hotel always has dining facilities, either within its own premises or very close by. They knew this wasn't true of many roadside accommodations, where it is often necessary to drive a mile or more to reach even a hot dog stand.

Moreover, practically all hotels provide a telephone in every room, with twenty-four-hour switchboard and information service. Roadside accommodations usually offer only a coin telephone in a public room, or the use of the phone in the manager's office, which often is closed when the last unit is rented. Sometimes it is necessary to drive down the highway to get the use of a telephone.

The hotel, by virtue of its downtown location, is handy to theaters, stores and post office. It has room service for food and beverages, valet and laundry service, check cashing facilities and such other conveniences as barber shops and newsstands.

All these extras, the hotel men reasoned, make up the icing that trims the traveler's cake.

BUT PROBLEM NO. 2—the parking problem—still required drastic action.

"If I owned the Waldorf-Astoria," declared a hotel operator at a convention of the American Hotel Association, "and I owned the Empire State Building, and they were next door to each other, I'd tear down the Empire State Building to provide parking space for my hotel guests."

That was in 1951, and some hotel men already had taken action only slightly less drastic. A few of them had actually bought and torn down buildings adjoining their properties, in order to get a parking lot next door to the hotel. Many were more fortunate, of course, and were able to buy vacant land nearby. Still others bought adjoining buildings but,

instead of tearing them down, converted them into multi-story garages.

Some midtown hotel men found that land in the neighborhood was much too expensive for use as a parking lot. Several of them went underground, either converting basements into garage space, or digging garages under adjoining land. Salt Lake City's Hotel Utah, for instance, has a two-story underground garage beneath the Mormon Church's Deseret Gymnasium, located near the hotel.

In the design of new hotel structures, architects now often include an underground garage in their basic plans. The new Hotel Statler in Los Angeles can accommodate five hundred cars in its two-level garage beneath the hotel.

And so the parking problem *can* be solved, hotel men have proved.

PROBLEM NO. 3—the reluctance of informally-clad motor travelers to traipse through a hotel lobby enroute to the registration desk—turned out to be relatively minor, once parking facilities were created. The simplest solution, though not always available, was to route motoring guests through a side entrance from the garage or parking lot directly to the registration desk. In some hotels, walls were torn down to create special corridors for this traffic. Other operators created new motor entrances, strategically located with respect to both the parking area and the front desk.

The "motor lobby," used as a supplement to the motor entrance, has turned out to be the ideal answer to this need. Of course it's easy to incorporate this into the design of a new hotel. But many existing hotels have created motor lobbies in new wings—with direct elevator service from the registration desk to all floors.

In all, America's hotel industry already has invested an estimated 2½ billion dollars in modernization and rehabilitation of its properties since World War II—and the greatest part of this has gone for improved services and facilities for motor travelers.

No matter what happens in the future, the nation's hotels will fight hard to retain the traveler's patronage and be a "home away from home." ■

Blackout

The Rev. John Wildman, Vicar of Burnham, England, complained that Burnham churches would have to hold some of their services in the dark because churches are now classified as "business premises," and their electricity rates have gone up accordingly.

Turkey OUT OF the Straw

Your holiday bird is an assembly line product which no barnyard could match in price or quality

BEFORE WORLD WAR II, roast turkey was primarily a Thanksgiving Day dish, and maybe you'd eat turkey once or twice more during the whole year. The average yearly consumption of dressed turkeys was about two and a half pounds per person. Today, we eat an average of six pounds of turkey a year; yet there are fewer turkey farms now than two decades ago.

Why this contradiction? Turkey farming, it seems, is a rough business. Often the return is less than one dollar a bird. Poultrymen, to be successful, have had to go into mass production, which meant, in turn, larger farms and the use of streamlined operations.

We've always been curious about the route traveled by the *Meleagris gallopavo*—turkey in our language—from the egg to the consumer. With a resolve to get at the facts, we visited Peter Zorn, one of the top commercial turkey breeders on Long Island.

First we wanted to find out how Zorn got into turkey-raising. For an answer Zorn went back about twelve years in his recollections. "Up until that time I was in the chicken business for some while. What made me think about turkeys was the fact that most farmers were convinced that these birds could not be raised on Long Island. The biggest obstacle, they said, was the damp climate. But,

I just couldn't see it. I felt that we could raise as good a turkey here as anywhere else in the United States. After all, a chicken farmer faces many of the same problems. With well-planned management and extra care in feeding, I thought I could make a go of it."

And Zorn's hunch proved to be correct. There were hardly any turkey breeders on the Island twelve years ago, but word of success like Zorn's spreads fast. Today, a number of farmers on the Island apply modern methods to turkey-raising and demonstrate that here is a sound business—if properly managed.

The selective breeding and mating of hens and toms, as the females and the males are called, is quite an art. Zorn has developed special methods of his own, based on long experience and some first-hand study of the subject at Cornell University. He considers selective breeding a key step in raising prime turkeys, and it requires considerable ingenuity.

Apparently, most of the egg-laying is determined by the season, and spring seems to be the best time for it. After the hen lays her eggs, nature has done its part and science takes over.

The eggs are placed in incubators which simulate precisely the hatching attention that the hen naturally gives her eggs. Each incubator has a built-in "turner" which automatically tilts the eggs every three hours. For a period of twenty-four days, the temperature is kept at 99.5 degrees and then dropped one degree during the last four days of hatching.

The hatching is complete when poults, or baby turkeys, make their appearance by breaking the egg shell. At the very most, only 80 percent of all incubated eggs are hatched into poults.

The poults are then placed in brooding pens, where the temperature is gradually scaled down from 95 degrees to about 75 degrees to condition them for the outdoor climate. And after a milk-feed diet, they are graduated from the pens onto sun porches where they stay until their fuzzy coats turn into well-feathered ones.

We looked at some of the huge, screened-in porches on Zorn's Bethpage farm and noticed wooden bins protruding from the side of the porches. Zorn explained that trucks move along the bins and dump corn, oats and other feed through the top. One such bin was designed by Zorn to hold a ton of feed and makes provision for refilling the food troughs below as soon as the turkeys deplete them. Zorn also pointed to little water fountains on each porch. These refill automatically.

From the sun porches the turkeys

are finally set out to roam in a so-called "pasture" until ready for marketing. Since the toms are leaner than the hens, they are inoculated with female hormones by a veterinarian. And science again triumphs by producing a fleshier and more palatable bird.

At six months the average tom weighs from eleven to fifteen pounds, and the hen from eight to eleven pounds. Some breeds, like the Broad Breasted Bronze turkeys, are much heavier.

Any time after six months, the turkeys are ready for market—mainly in the big-city. Selling prices are usually set at competitive auctions for dealers. The farmer has a choice of selling at these auctions, or to dealers directly, or even to the public.

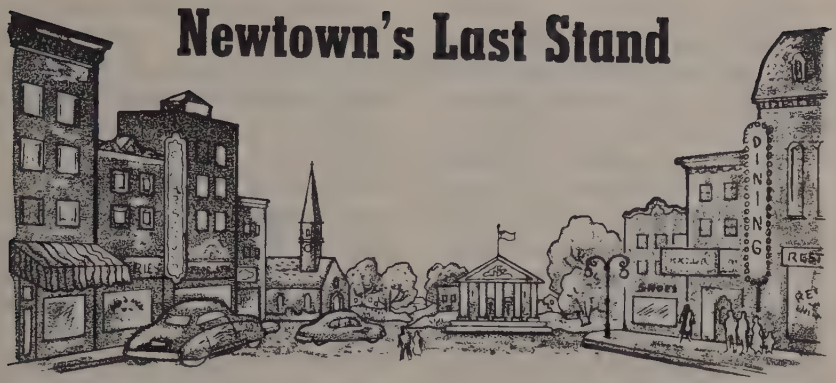
Zorn himself sells about 40,000 turkeys over the counter at his Bethpage store during the year. He sells another 30,000 poults to other farmers. When you realize that Zorn started out with 1,200 turkeys and in twelve years worked up to his present volume of business, you see how handsome his accomplishment really is.

HOW DOES the turkey picture stack up across the nation? The total number of turkeys being raised this year, according to a report issued by the U.S. Department of Agriculture, is 55,746,000, which is somewhat off last year's production. Moreover, the housewife seems to prefer smaller turkeys for non-holiday eating, so here is another factor the industry must contend with. Greatly improved dressing and handling methods make possible the marketing of light-weight turkeys, which are just as palatable as the heavier bird. And this year, more poults than usual were hatched late in the season, and therefore will not be marketed until 1954.

DESPITE the trend toward the lighter turkey, M. C. Small of the National Turkey Federation, which represents the 35-million-dollar industry, voices dissent. "The 'best buys' are the big turkeys. They cost less per pound, and they carry a larger proportion of meat. They can be stored as whole birds, halves or individual parts. The restaurant business learned long ago that turkeys carry a larger proportion of meat to bone and skin; for that reason they use turkey meat for most of their 'chicken' sandwiches, salads and other dishes made of sliced or diced poultry meat."

Here is one comforting thought for consumers the country over who have a yen for turkey. The supply of gobblers is heaviest during October, November and December. So even with heavy demand, the price of the bird is almost always reasonable for the holiday table. ■

Newtown's Last Stand



Small-town lethargy resulted in loss of population and trade for Newtown. Can it stage a comeback before it's too late?

by Chuck West

UP UNTIL two years ago, Newtown was a quiet and quaint village of about 2,000 residents, nestling in the pastoral Neshaminy Valley of rural Bucks County in Pennsylvania. Its only claim to fame was that it dated back to the days of William Penn, founder of the Pennsylvania colony in the 17th century. It was the first county seat of Bucks County, and since then has seen little of its history march into the textbooks.

A town's life, however, can never stand still; it either grows or fades. That is a hard fact. The people of Newtown were unaware of that fact.

Over the years Newtown has been losing its young people as soon as they are graduated from high school. They go to the city to shop, and eventually most of them move there to live and work. Habitually, merchants stocked just enough goods for what the people needed; and their sales volume was just enough to make a reasonably comfortable living. Ostrichlike, they ignored a decline in Newtown's younger population that would eventually affect trade. Although small towns have always had to contend with the magnetic pull of big-city glitter, for Newtown the process of decay had just about been completed when suddenly an opportunity presented itself which other towns seldom encounter.

Chuck West is editor of the "Newtown Enterprise," which has been prodding the town to adopt recovery measures.

Quite unexpectedly, the area around Newtown began humming with activity. United States Steel Corporation announced the construction of its giant Fairless Works, twelve miles to the east. Various other industries sprang up on the rich soil where corn had risen the previous year. Farmers plowed under their agricultural crops and began to sell a more lucrative commodity—real estate. Levitt & Sons began their second Levittown near the new steel mill. Plans called for 16,000 homes upon completion of the project. Trenton and Philadelphia department stores, as well as the big chains, were quick to grasp the opportunity of serving the thousands of new families who were moving into the area. They strategically placed branch stores and shopping marts throughout Bucks County.

THESE developments converted Newtown into an isolated traffic island amid the biggest industrial boom to hit the Eastern United States in half a century. With new opportunities staring it in the face, how did Newtown react?

Newtown shoppers, in larger numbers than ever before, began chasing the glitter of stainless steel and fancy glass fronts of shopping marts. New plants in the surrounding countryside meant wide employment opportunities outside Newtown. Although it is just a half hour's drive from Newtown to the plants along the Delaware River, modern developments like Levittown created a strong pull toward home relocation.

BUT THE BOOM did afford Newtown a temporary respite from its decline. As workers poured into Bucks County to build and work in the new plants, housing became critical, and Newtown received the overflow of these people. Large homes were converted into apartments, with rents taking sizable cuts out of workers' pay checks. Tenants with children and dogs were unwanted. To purchase a home, a buyer had to pay up to three times the previous year's value for a piece of property—if he was lucky enough to find one for sale.

Despite the influx of new families and the real estate boom, Newtown chose to stand pat. Merchants told their suppliers to add a few basic items to their regular orders to handle the extra business. They reasoned that here was a big bubble which would soon burst. And, in truth, it *would* burst—unless conditions were made satisfactory to the newcomers.

OLD HABITS of thinking are hard to change. A generally lethargic attitude toward business and industrial expansion prevailed at street corner and post office "meet-

ings." No change whatsoever was contemplated.

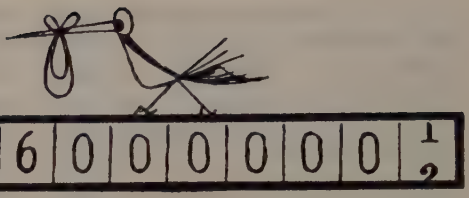
But then something unusual happened. An angry president of the Newtown Businessmen's Association stood up at the regular monthly dinner-meeting and bluntly told the members just what he thought of their chances of survival. It was an expression of things which others perhaps had felt but never could get themselves to admit. Stanley B. Sutton, Jr. was almost brutally frank as he declared, "Every month the same hungry twenty meet here for a meal and a good time. That's as far as it goes. Where are the other thirty-four members? Nothing is ever accomplished as far as the organization is concerned. I like Newtown as a place to live, but I don't need Newtown to keep my business going. However, I would certainly hate to see this town die. Do you, or don't you, have guts enough to meet the situation squarely? I suggest that this meeting be adjourned and that you return next month either to elect a new slate of officers and do a real job of improving this town, or come back for a free meal, split what's left in the treasury and put a wreath on the door."

The shock of this speech prompted activity within a week—activity which was unique for Newtown. One of the big problems in keeping shoppers in Newtown had been the small, cramped stores that were meagerly stocked. Renovation plans, then, were the first order of business. The aim was to get people to shop at home again.

IT WAS DECIDED to give Newtown a "new look" by taking advantage of its historic past. The *Newtown Enterprise*, the town's weekly newspaper, announced that scores of buildings would be dressed up with colonial store fronts. Colonial-type signs, placed in landscaped areas, were to be built as soon as possible to acquaint visitors with the town's heritage.

Next came the announcement that vigorous efforts would be made to attract small industry to bolster Newtown's shaky economic position. If the town's youths could be given an opportunity to find work in local industries at wages equal to the city's, then they would stay and raise families. The whole cycle of Newtown's economic decline would be arrested.

Thus Newtown stands at the crossroads. Whether the emergency operation of expansion, modernization and attempts to gain industries has come in time to revive Newtown is still an open question. If it doesn't work, they might as well hang that wreath on Newtown's front door and end the agony. ■



THE BIG SCOREBOARD

our population grows by one every twelve seconds

by Harold Helfer

THIS PAST SUMMER, on a sweltering August 10, at precisely 11:02:07 in the morning, the population of the United States reached 160 million—officially, statistically and, it might be added, for tax purposes.

We may in fact have arrived at this stunning figure a few minutes earlier or later. But as measured by the electrical population recorder on display in the lobby of the Department of Commerce in Washington, that was the time to the minute and second, after births and deaths, arrivals and departures had been spaced out evenly.

There was a small celebration in the spacious lobby, with a short speech from the director of the Census Bureau, applause from the assembled tourists and government workers, and the popping of flashbulbs when the "census clock" was stopped at 159,999,999. Then a step-ladder was brought forth, and someone climbed up to make the change-over to 160 million. This manual operation is necessary since the recorder works automatically only in the first six digits. There was some nervous laughter when the signals got crossed and six zeros dropped into place, leaving the score momentarily at 159 million. But then the adjustment was completed, and a murmur of admiration and pride was heard.

ABOVE A ten-foot map of the United States is the population recorder itself—the nation's scoreboard—looking like a giant speedometer. The numbers are constantly changing, except when the machine has been turned off for the night. Since it has to do a lot of catching up in the morning, the score is corrected before the day's count-

ing begins. Colored lights then blink on and off to mark the changes in our population. Each blink signifies the following changes:

- One birth every eight seconds (blue light).
- One death every twenty-one seconds (purple light).
- One immigrant every two minutes (green light).
- One emigrant every seventeen minutes (red light).
- Net gain—one person every twelve seconds (white light).

This means five more Americans every minute, three hundred each hour, or 7,200 a day—enough people for a fair-sized town, complete with Chamber of Commerce. In a little less than four years since the census of 1950, the country's population has grown by over nine million. Should the present rate of gain continue until 1975, there would then be 221 million Americans!

However, the growth of the last decade has been almost phenomenally high, and it will probably not be maintained much longer. All the same, our population should reach 175 million by 1960 and 198 million by 1975. And this last figure is the *lowest* estimate given by the Census Bureau in its latest population forecast last summer.

Some of the implications of this are staggering. For example, taking just the lowest estimate for 1975, we shall require almost one-third more food than American farms now produce if our present standard of living is to be maintained.

BIRTHS account for the greatest part of our population increase, and currently outnumber deaths by over 200,000 a month. The greatest number of births is recorded in March; the smallest in April. We have been averaging 335,000 babies per month. If they were all brought together—a frightening thought—they'd make a community the size of Atlanta, Georgia.

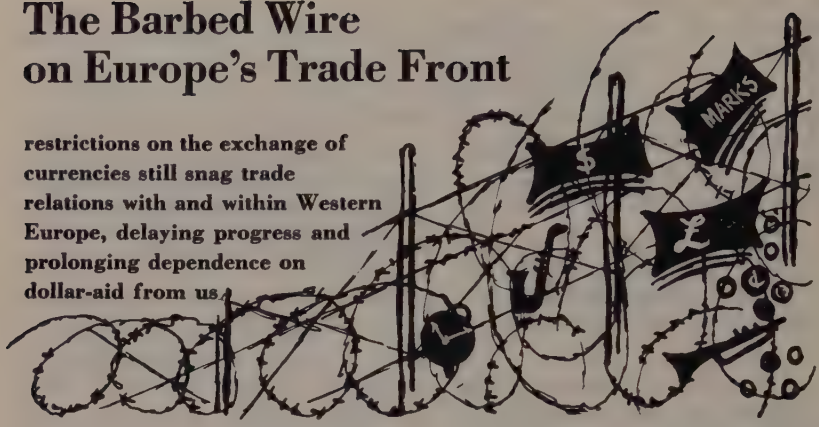
While the experts study the statistics, the colored lights go on flashing, the "census clock" keeps ticking and the country grows by the minute.

The story goes that on the day the Census Bureau held its ceremony—a kind of birthday party for us all—a bewildered little man holding a box of cigars was seen wandering in the lobby. He timidly approached a uniformed guard, and with a smile offered him a cigar. They spoke briefly. The guard shrugged, said "Congratulations," shook the man's hand and then, very gently, ushered him to the door. ■

Harold Helfer, a regular contributor to CHALLENGE MAGAZINE, *has a flair for spotting the unusual or unique in statistical information.*

The Barbed Wire on Europe's Trade Front

restrictions on the exchange of currencies still snag trade relations with and within Western Europe, delaying progress and prolonging dependence on dollar-aid from us



As PART OF a long-range program to achieve a unified system of defense for Western Europe and the United States, the NATO countries recently carried out what Admiral Lynde D. McCormick, Supreme Allied Commander (Atlantic), termed "the most complete and wide-spread international exercise ever held."

Behind this sweeping effort lay planning which revealed "constantly growing cooperation and understanding among the NATO nations." Ironically, the cooperation borne out in this deadly serious and expensive military exercise is not matched by cooperation in another equally important sphere of activity. It fails to extend adequately to the exchange of money and goods.

Despite the degree to which they show a common front in the face of any onslaught from the East, the NATO countries remain partly set off against one another behind a sort of economic barbed wire. They do not allow the free convertibility of each other's currencies.

By thus hampering the circulation of money, they have limited the international flow of goods. By so cutting down their usefulness to each other as markets and as sources of raw materials, they have impeded, and are continuing to impede, the basic aim underlying all their military exertions to attain security.

Financial experts of the NATO countries have put forward a number of possible solutions, and on one point they seem to agree. They all assign a key role to the United States. To understand why this is so requires a review of why and how non-convertibility became an issue.

Prior to World War I, Great Britain held sway as the chief supplier of manufactured goods and as the leading creditor nation. Moreover, as the center of an empire, she acted as the economic hub for a comparatively non-industrialized world. With trade volume relatively low, international debts remained modest. No serious "pound shortage" afflicted countries doing business with Britain.

The exchange values of most currencies remained steady during these years. Free convertibility prevailed. The gold standard provided nearly foolproof protection.

When a French businessman wanted to import machine tools from Britain, he simply exchanged his francs for credit in pounds sterling. Any imbalance in trade between the two countries, of course, tended to raise the exchange value of one currency over the other. If too many Frenchmen were buying from Britain and too few Englishmen buying from France, the exchange value of pounds would shift upward while francs declined. But gaps in exchange rates were prevented from becoming serious by adherence to the gold standard.

If the value of his francs in relation to pounds was falling, a French importer would not simply accept the loss. Instead he would pay for the tools or tweeds with gold. He was able to do so because gold had a universal market value acceptable in both countries.

THIS SYSTEM worked smoothly until World War I, when the need of European countries for outside supplies rose tremendously, and the United States emerged as the biggest and most important supplier.

Huge foreign purchases in the U.S. between 1914 and 1918 boosted the exchange rate of the dollar to an unprecedented high. European nations shipped gold to the U.S. to make up the difference in currency values. Finally, they ran out of gold reserves and abandoned the gold standard. For some years after the peace, the world tried to restore the gold standard. But after limited success the depression forced the British, and thus all the others, to give up. Then the debts they incurred in World War II drowned their hopes for good.

Inability to maintain the gold standard as a basis for monetary exchange represents one-half the background of non-convertibility. The "dollar shortage" represents the other.

For decades, even before the turn of the century, European countries have been buying more from the rest of the world than they have been selling. Up to 1914 they righted the balance of pay-

ments with earnings from their investments in other countries. They especially relied on the gains from their investments in the U.S. in dealing with this country. World War I also upset *this* practice.

In purchasing war supplies from the U.S., Britain and her allies not only had to ship gold but had to sell many of their American investments and borrow heavily from both government and individual sources. At the end they found themselves deeply in debt to America.

FOLLOWING the war, a stream of American investments into European countries provided them with enough dollars to buy most of what they needed from us until late in the Twenties. (Meantime much of their long-term indebtedness remained.)

During this period the U.S. shot into world leadership in industrial output. Its currency also gained a dominant position in two ways. Because of the massive productivity and the political stability behind it, and also because of the need of other countries for dollar-credits with which to obtain essential products from us, the dollar became (1) a yardstick of soundness and value for currencies in general, and (2) in itself the most widely distributable medium of exchange in transactions around the globe, whether or not they involved the U.S.

In fits and starts the dollar has, since the Twenties, continued to rise in demand while dwindling in relative supply. Its course reflects the upheavals of recent history and poses sharp questions for our makers of world policy today.

Toward the end of the Twenties American investments in Europe dropped off. Then the depression hit, reducing our purchases there. Deprived of two main sources of dollars, and enfeebled by the depression generally, the countries of Europe reverted to individual survival measures.

In order to preserve a minimum of dollar credits or reserves as backing for their individual currencies, each laid down restrictions on trade—including direct controls over currency exchange. Many countries in other continents did the same.

WITH THE blitzkrieg in Poland fourteen years ago, a new phase in the dominance of the American dollar opened. The war forced Britain and France to unload many of the American investment securities they still owned and reduced their financial holdings throughout the rest of the world. Despite "Lend-Lease" gifts, World War II drained the dollar reserves of our European allies to a critical level.

Developments since 1945 have hardly eased the strain. In recovering from war, most of the governments of Western Europe have been spending more than they have been earning or receiving in taxes. Their currencies have depreciated in value, while world prices have continued to rise.

Owing to both war damage and antiquated or restrictive methods, their domestic production and sales have lagged. Low output and high prices, as well as the persistence of such obstacles to trade as quotas and tariffs, have resulted in smaller earnings from exports. At the same time they have been relying heavily on imports from America, particularly in big-scale machinery, for reconstruction.

With their dollar reserves diminishing, and U.S. production surging further ahead of theirs than ever, Western Europeans have seen the dollar shortage become increasingly acute. In self-defense they have resorted to severe restrictions on exchange of currencies. With them they have tried to limit the outgo of dollars to maintain the credit standing required for continued shipments of crucial American equipment.

As an additional means of getting around the dollar shortage, two important blocs of non-communist nations have set up partly overlapping systems for extensive non-dollar trading among themselves. These are the European Payments Union (EPU) and the sterling area.

To the EPU belong all of the European members of NATO along with the republics of Austria, West Germany and Switzerland. It was organized in 1950 to expedite clearance and settlement of payments so as to spur trade among these nations. It set out with the express goal of building a solid foundation for the eventual restoration of convertibility.

The sterling area, with roots in pre-World War I days, takes in the British Commonwealth minus Canada, plus six other nations. Its members deal with each other in pounds sterling under terms set by the Exchange Control Department of the Bank of England.

Gold, of course, still finds acceptance everywhere as a medium of payment. But because it is very unevenly distributed among nations it exerts practically no overall stabilizing influence on currencies.

What progress has been made since World War II?

Most European countries appear to be on the upgrade. A recent study by the Foreign Operations Administration led its director, Harold E. Stassen, to state he saw "a brighter picture" in Western

Europe with "major economic progress" having been made since the beginning of the year. He found dollar and gold reserves up nearly a billion dollars, production exceeding that of 1952 by at least four percent and living standards rising.

The growth of dollar and gold reserves indicates that the dollar shortage is at last being relieved. Largely responsible for this, however, are European restrictions against American and Canadian imports, and the continuation of American dollar aid. In the first four months of 1953, Western European countries spent 600 million dollars less for goods from the U.S. and Canada than they did in the same quarter of 1952. During these four months the central banks of Western Europe built up their reserves by 450 million dollars.

Will the dollar gap continue to close in such fashion? Not likely. Some restrictions on imports from the U.S. and Canada probably will give way soon under political pressure. Direct dollar aid from America may cease next year. Before Western Europe and the rest of the non-dollar world will be able to resume free convertibility, concrete requirements must be met.

AT PRESENT America's allies in Western Europe produce less than half her output. Only by narrowing this gap in productivity will Europeans be able to reduce the dollar shortage decisively over the long run. In order to do this, they must expand in physical capacity.

Before adequate capital can be raised and put to work in this vast undertaking with reasonable expectation of returns, the internal finances of our European allies must be stabilized. Inflation must be cut to a minimum. Public confidence in the various national currencies must grow. This brings up the question of reserves—the dollar and gold reserves residing in each country's central bank.

It is mainly because of the lack of sufficient reserves that the EPU was organized. EPU allows members to draw from a common fund in any currency, to an extent determined by how much they put in of their own money. Its reserve fund remains too small, however, to afford more than makeshift assistance. And some members, notably France, flounder in chronic debt, even though they receive special aid in dollars from the United States.

Until the time when world productivity evolves into some sort of balance, it is not likely that free convertibility will be attainable without a separate kind of fund—a common fund big enough to insure every nation against a "run" on its currency once it becomes convertible into dollars.

The International Monetary Fund was set up with this ultimate purpose eight years ago. It lists fifty-five members today, including Czechoslovakia from the communist bloc. It enables them to support the exchange values of their currencies by borrowing from the Fund within the limits set by their individual contributions. The IMF today falls far short of its real goal because of the inadequacy of its reserves. As one indication of this, the total transactions of the Fund amounted to only 613 million dollars by the middle of this year, as compared to the 15 billion dollars of American exports that had to be paid for last year alone.

How could the reserves of the Fund be built up to bring free convertibility within reach?

When delegates to the Fund met in Washington in September, it became clear that most Western European countries, particularly Britain, want convertibility as soon as possible. To get it they proposed that the U.S. provide the Fund with a special amount a minimum of 3 billion dollars, not as a contribution necessarily to be spent but as an addition to its reserves on paper.

This addition, as they see it, would strengthen the reserves enough to guarantee sustaining exchange values under free convertibility. They suggested that Canada and Switzerland make lesser amounts available for the same purpose.

Until a Presidential Commission studying world trade problems under the chairmanship of Clarence E. Randall completes work in the spring, no definite response to this scheme may be expected. In the meantime, the report to the President by former Ambassador to England Lewis E. Douglas gives us the latest official word on the subject.

This report advocates the easing of American tariff and quota restrictions on imports, and strongly urges help for other countries in achieving free convertibility. It stresses the need for making the pound convertible in order, as one writer puts it, "to get rid of the system of two trading worlds, one dollar and one sterling, that has plagued international commerce since the end of World War II." The Douglas report concludes:

"If further progress is not made toward the removal of restrictions on trade and a more unfettered exchange of currencies, it is quite likely that, despite any international political institutions that have been erected or that may be erected in the future, the unity of the free world will remain precarious and fragile. On these points American national interests are vitally concerned." ■

There's more to "higher production" than just counting an increase in goods

The Hidden Factors in Industrial Productivity

by Robert E. Sibson

THIS NATION'S high standard of living, as well as its long-range goals for continued prosperity, is largely dependent upon the maintenance of high industrial productivity.

In view of this key role of productivity in our future, it is unfortunate that there is so much confusion over its precise meaning. On the surface, the idea of productivity is a very simple one—the total amount of goods and services which are produced in relation to some measure of the cost of producing them. Mathematically, this means the ratio of the quantity of production to the cost of production.

Thus, productivity has meaning when we have some idea of the costs involved. This can be made clear by a simple illustration. Is a man's productivity any greater if he digs four holes instead of two? Obviously, we do not know unless we have some idea of how much time he spent digging the holes. When we are told that he spent eight hours digging the two holes and sixteen hours digging the four holes, then we know his productivity remained constant—at .25 holes per man-hour of work.

Unfortunately, this type of calculation of productivity for a company, an industry or the entire economy does not tell the whole story. It gives no indication of the quality of production (how large were the holes which our worker dug?), the equipment required in production (did he use a hand shovel or a power shovel?), the value of the goods and services produced (of what value were the holes?) or the "true cost" of production (could the hole-digger's time be utilized to greater benefit elsewhere?).

THE QUALITY of the goods produced has a very important bearing on the true level of produc-

tivity. For instance, we are interested not only in the number of automobiles produced but also in the quality of the automobiles which we buy. Recognizing this, automobile manufacturers have, as a conscious policy, translated most improvements in technology and productivity into better quality cars rather than lower price. As a result, raw productivity figures in the industry show an annual increase of less than two percent, whereas the company and union representatives in the industry recognized an improvement of more than four percent in recent wage negotiations. Quality improvements are an important factor in determining productivity figures.

Productivity data do not make obvious still another factor. To produce anything in our complex, specialized economy, we require savings, capital investment and managerial know-how as well as man-hours of work. For example, there is an average investment of about $15,000 in plant and equipment for each job in America today, and it is improvements in this equipment which represent the main determinant of our productive efficiency. The key role of this capital equipment is not apparent in productivity. This is most unfortunate, for it tends to hide one of the basic facts of American life: that our continuing improvement in living standards depends upon the rate at which we introduce more and better equipment.

FINALLY, productivity figures do not indicate the value of the goods and services produced. In the first six months of 1953 there were 4,312 business failures in the United States. Many of these firms found out, to their sorrow, that it is not enough to produce efficiently; you must also sell what you make. In other words, the highest order of productivity is meaningless if the things produced are not of sufficient value to consumers.

If a business enterprise were to manufacture a line of products which proved unacceptable to consumers, we would be tempted to say that the company's efforts were unproductive. But the fact that nothing useful was created is only half of the story. Man-hours of work were expended which could have been used in another way to produce things which *are* useful. Thus the operations were more than unproductive, for considerable resources were used (or should we say misused) which could have been of great value. As a result, such misdirected pro-

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duction represents *dis*productivity.

Productivity ratios make no distinction between the volume of useful goods produced and the volume of useless goods or misdirected effort. Nor do they indicate the extent of related disproductivity—the raw materials, equipment and managerial effort which went into the production of useless articles, and the resources consumed by those organizations which supplied materials, equipment and services in support of the misdirected production.

Fortunately, in privately operated business, the tendency is to constantly produce more and better products at less cost—to increase the amount of useful goods and services and to improve the usefulness of each of them and, at the same time, reduce the manhours (and other resources) required to make them.

With this in mind, it is easy to refute the arguments of communists or socialists who say that under their economic systems there is no unemployment. In Soviet Russia, to cite the extreme, there is unemployment of the worst sort. People are retained at certain types of work when their energies could be more usefully employed in other activities, are forced to do useless things, continue to produce unwanted goods and services and continue inefficient operations. All of these things represent disproductivity in the extreme, and the Russian government is only able to get away with it because it can compel consumers to buy the goods which are made (because no one is able to produce substitute goods which consumers prefer).

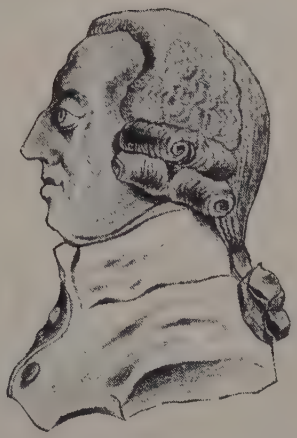
THUS, it should be clear that the real cost of disproductivity is actually the value of the useful goods and services that could have been produced if the resources had not been wasted or misdirected. The real cost of a naval ship, tied idly by a dock, for example, is not the sailors' payroll or the ship's fuel bill, but the food, clothing, etc. which these resources could have produced elsewhere.

Disproductivity is the greatest enemy of both our family living standards and of our national security. And have no doubt of this: no economic activity in the world is unproductive, it is either productive or disproductive. For any waste or misdirected production not only represents useful things which were not produced, it also means that resources were uselessly expended which could have been used to raise our standard of living or increase our national security. ■

From the crossfire of self-interests—social gain!

The Wonderful World of ADAM SMITH

by Robert L. Heilbroner



In 1776 (the same year the Declaration of Independence was signed) the *Wealth of Nations* appeared on the bookstalls of Great Britain. It opened a new realm of thinking in economics and continues its influence to this day. Adam Smith, its author, here steps forth with his basic ideas from the important new book, *The Worldly Philosophers*, by Robert L. Heilbroner.

THE TRAVELER in England in the 1760s would quite probably have heard of a certain Dr. Smith of the University of Glasgow. Dr. Smith was a well-known, if not a famous, man; Voltaire had heard of him, David Hume was his intimate, students had traveled all the way from Russia to hear his labored but enthusiastic discourse.

In addition to his scholastic accomplishments, Dr. Smith was known as a rather remarkable personality. He was, for example, notoriously absent-minded: once he had fallen into a tanning pit walking along in earnest disquisition with a friend, and it was said that he had brewed himself a beverage of bread and butter and pronounced it the worst cup of tea he had ever tasted.

But his personal quirks, which were many, did not interfere with his intellectual abilities. Dr. Smith was among the foremost philosophers of his age.

Two great problems absorb Adam Smith's attention. First, he is interested in laying bare the mechanism by which society hangs together. How is it possible for a community in which everyone is busily following his self-interest

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not to fly apart from sheer centrifugal force? What is it which guides each individual's private business so that it conforms to the needs of the group? With no central planning authority and no steadying influence of age-old tradition, how does society manage to get those tasks done which are necessary for survival?

These questions lead Smith to a formulation of the laws of the market. What he sought was "the invisible hand," as he called it, whereby "the private interests and passions of men" are led in the direction "which is most agreeable to the interest of the whole society."

FOR SMITH and the great economists who followed him, society is not conceived as a static achievement of mankind which will go on reproducing itself, unchanged and unchanging, from one generation to the next. On the contrary, society is seen as an organism which has its own life history. To discover the shape of things to come, to isolate the forces which impel society along its path—this is the grand objective of economic science.

Adam Smith's laws of the market are basically simple. They tell us that the outcome of a certain kind of behavior in a certain social framework will bring about definite and foreseeable results.

Specifically they show us how the drive of individual self-interest in an environment of similarly motivated individuals will result in competition; and they further demonstrate how competition will result in the provision of those goods that society wants, in the quantities that society desires and at the prices society is prepared to pay. Let us see how this comes about.

It comes about in the first place because self-interest acts as a driving power to guide men to whatever work society is willing to pay for. "It is not from the benevolence of the butcher, the brewer, or the baker that we expect our dinner," says Smith, "but from their regard to their self-interest. We address ourselves, not to their humanity, but to their self-love, and never talk to them of our necessities, but of their advantages."

But self-interest is only half the picture. It drives men to action. But something else must prevent the pushing of profit-hungry individuals from holding society up to exorbitant ransom: a community activated only by self-interest would be a community of ruthless profiteers.

This regulator is competition, the socially beneficial consequence of the conflicting self-interests of all the members of society. For each man, out to do his best for

himself with no thought of social cost, is faced with a flock of similarly motivated individuals who are in exactly the same boat. Each is only too eager to take advantage of his neighbor's greed if it urges him to exceed a common denominator of acceptable behavior.

A MAN WHO permits his self-interest to run away with him will find that competitors have slipped in to take his trade away; if he charges too much for his wares or if he refuses to pay as much as everybody else for his workers, he will find himself without buyers in the one case and without employees in the other.

Thus . . . the selfish motives of men are transmuted by interaction to yield the most unexpected of results: social harmony.

Consider, for example, the problem of high prices. Suppose we have one hundred manufacturers of gloves. The self-interest of each one will cause him to wish to raise his price above his cost of production and thereby to realize an extra profit. But he cannot.

If he raises his price, his competitors will step in and take his market away from him by underselling him. Only if all glove manufacturers combine and agree to maintain a solid front will an unduly high price be charged. And in this case, the collusive coalition could be broken by one independent who decided to sell out his production below the artificial price level fixed by the monopolists.

But the laws of the market not only impose a competitive price on products. They also see to it that the producers of society heed society's demands for the *quantities* of goods it wants.

Let us suppose that consumers decide they want more gloves than are being turned out, and fewer shoes. Accordingly the public will scramble for the stock of gloves on the market, and the shoe business will be dull. As a result glove prices will tend to rise as consumers try to buy more of them than there are ready at hand, and shoe prices will tend to fall as the public passes the shoe stores by. But as glove prices rise, profits in the glove industry will rise, too; and as shoe prices fall, profits in shoe manufacturing will slump.

AGAIN self-interest will step in to right the balance. Workers will be released from the shoe business as shoe factories contract their output; they will move to the glove business where business is booming. The result is quite obvious: glove production will rise and shoe production fall.

And this is exactly what society wanted in the first place. As more gloves come on the market to meet demand, glove prices will fall back

into line. As fewer shoes are produced, the surplus of shoes will soon disappear and shoe prices will again rise up to normal.

Through the mechanism of the market, society will have changed the allocation of its elements of production to fit its new desires. Yet no one has issued a dictum, and no planning authority has established schedules of output. Self-interest and competition, acting one against the other, have accomplished the transition.

AND ONE final accomplishment. Just as the market regulates both prices and quantities of *goods* according to the final arbiter of public demand, so it also regulates the *incomes* of those who cooperate to produce those goods.

If profits in one line of business are unduly large, there will be a rush of other businessmen into that field until competition has lowered surpluses. If wages are out of line in one kind of work, there will be a rush of men into the favored occupation until it pays no more than comparable jobs of that degree of skill and training. Conversely, if profits or wages are too low in one trade area, there will be an exodus of capital and labor until the supply is better adjusted to the demand.

ALL THIS may seem elementary. But consider what Adam Smith has done, with his impetus of self-interest and his regulator of competition.

First, he has explained how prices are kept from ranging arbitrarily away from the actual cost of producing a good. Second, he has explained how society can induce its producers of commodities to provide it with what it wants. Third, he has pointed out why high prices are a self-curing disease, for they cause production in those lines to increase.

And finally, he has accounted for a basic similarity of incomes at each level of the great producing strata of the nation. In a word, he has found in the mechanism of the market a self-regulating system which provides for society's orderly provision.

In a sense the whole wonderful world of Adam Smith is a testimony to the 18th century belief in the inevitable triumph of rationality and order over arbitrariness and chaos. Don't try to do good, says Smith. Let the good emerge as the by-product of selfishness.

How like the philosopher to place such faith in a vast social machinery and to rationalize selfish instincts into social virtues!

THERE IS nothing halfhearted about Smith's abiding trust in the consequences of his philosophical beliefs. He urges that judges should

be paid by the litigants rather than by the state, since in that way their self-interest will lead them to expedite the cases brought before them. He sees little future for the newly emerging business organizations called corporations since it seems highly improbable that such impersonal bodies could muster the necessary self-interest to pursue complex and arduous undertakings . . .

The whole complex irrational world is reduced to a kind of rational scheme where human particles are nicely magnetized in a simple polarity toward profit and away from loss.

The great system works, not because man directs it, but because self-interest and competition line up the filings in the proper way; the most that man can do is to help this natural social magnetism along, to remove whatever barriers stand between the free working out of this social physics and his misguided attempts to escape from the thralldom of the market mechanism.

And yet for all its 18th century flavor, its belief in rationality, natural law and the mechanized chain of human action and reaction, the world of Adam Smith is not without its warmer values. Do not forget that the great benefactor of the system was the consumer—not the producer.

For the first time in the philosophy of everyday life, the consumer is king. ■

Satellite Drug Shortage

The entire East European wing of the Soviet empire is today suffering from drug shortages. Before World War II the smaller or less militarized states (Albania, the Baltics, Bulgaria, Romania) produced few drugs on their own, relying heavily on foreign imports to satisfy their limited needs. With Soviet absorption, and Moscow's blockade of Western trade after the summer of 1948, this important source was inadequately replaced by Russian imports, pathetically supplemented by the confiscation of such drugs as happened to turn up in "gift packages" from the free world.

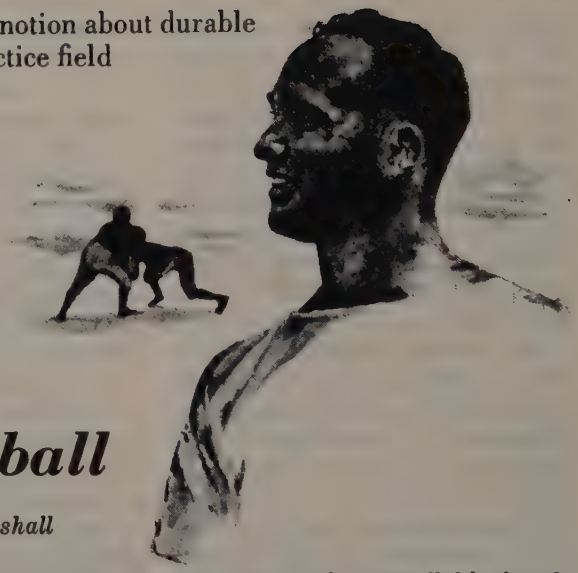
In the more industrialized nations (especially Czechoslovakia), where there has been considerable pre-war domestic production as well as thriving trade with the West, communist nationalization of the drugs industry seriously affected output. Notwithstanding vigorous regime efforts to bring production back to pre-war par, the loss of Western raw materials combined with technical difficulties has blocked real advance.

—News from Behind the Iron Curtain

Marty Gilman had a notion about durable dummies for the practice field —and it has paid off

The 'Dummy' in Football

by E. M. Marshall



THE NAME Marty Gilman is totally unknown to football fans, but it is a part of every well-trained team that charges down today's gridiron. Football coaches in the colleges, and managers in the professional leagues know what Marty Gilman has done for modern football. For the full story, we have to go back thirty years.

Football is a game of body contact and a certain number of injuries are unavoidable. How to protect players during workouts has always been a bugbear to coaches and trainers. During the Twenties this problem was particularly acute. Coaches were not doing very much to teach blocking for fear their players would be injured during practice sessions and thus made unavailable for the actual game. Yet many an injury was sustained in play because the player had not been taught to block properly.

This was a dilemma throughout the Twenties and early Thirties. It took a football player, Gilman, to develop a solution that many coaches have now adopted.

Gilman began marketing his ideas in 1932. Today he has a manufacturing plant which turns out fifty types of stuffed and inflated dummies as well as a variety of padded blocking armor and charging sleds for use during football practice. This venture grosses about $100,000 a year, so Gilman's alertness during his playing days at the University of Connecticut

has paid off rather handsomely.

When you weigh only 128 pounds, as Gilman did when he began playing football, and your opponent tips the scales at 220 or more, bumps and bruises teach you the hard way. Gilman agreed with the coaches that the object of the game is to build up men, not to injure them. The idea of dummies which could take punishment, give players necessary blocking training and save the second-stringers —the human "dummies"—kept buzzing around in his head.

One day at his father's cotton mill in Connecticut, Marty got the inspiration which enabled him to put his ideas into practice. Noting the piles of waste cotton-batting, he fashioned some into a dummy facsimile of a football player—and lustily swung into action to the imaginary order of his coach, "Tackle hard and low!"

That's what he was doing the day Paul Bitgood, his former high school coach, paid him a visit. Bitgood, who was coaching at Norwich Free Academy, watched Marty's maneuvers with the "dummy," and his reaction was immediate: "You've got something there I can use, Marty. How about making some of those dummies for me?"

E. M. Marshall is a free-lance writer specializing in articles about people with interesting occupations.

This was the turning point of Gilman's career. His new-found hobby had begun to crowd out the variety of extra jobs that he had taken on while working his way through college. He would soon be faced with a choice between tinkering with a fascinating hobby and earning a living. Bitgood's display of enthusiasm convinced Gilman that he could do both.

So Gilman went into the business of making football dummies. He started on a cross-country trek to sell his product. The coaches he approached liked what he showed them; some even ordered the equipment. Columbia University was among the first to buy; other schools like Harvard, Yale, Brown, Notre Dame and Alabama followed suit. Requests for Gilman gear even came from Canada.

Professional teams like the Green Bay Packers, the New York Giants and others all over the country realized that Gilman had a sound idea. Not only was his equipment a boon to players, but it also made the job of the coach much less worrisome. The dummy business was a success.

WORLD WAR II and the Navy interrupted Marty's career as America's foremost manufacturer of football dummies. While in the service, he put his fertile mind to good use, saving Uncle Sam nearly seven million dollars by suggest-

ing improvements in naval equipment. He rose to the rank of Lieutenant Commander before being discharged. Then back to his dummies went Gilman.

He is not content to rest on the success achieved thus far. "My chief ambition is to build dummies for every single football team on earth," says Gilman. In line with this ambition, he strongly believes in the power of personal selling. Giving the details of his itinerary, Gilman explains, "I travel thousands of miles every year to see coaches and to show them my equipment. Because some of the equipment we have developed may be new, sometimes coaches get the wrong impression. For example, when it comes to the blocking armor, many coaches think that their players won't be able to move around because of the extra padding. It looks pretty bulky in the catalogue, you know, but still allows freedom of movement. The armor is really appreciated by the player at the bottom of a pile-up. It's one thing to see a picture in a catalogue, but quite another to watch an armored player jump up from underneath a scrambled heap of bodies and line up for the next play."

Gilman illustrates his technique further: "I like to go on the field during practice and see how the fellows put my stuff to use. I might notice something that can help us to improve our product. But once the coach sees that he can cut down on injuries, I get his order. While substitutes quit when bones are broken, my dummies continually stand the roughest tackling."

DRAWING ON his own playing experience, Gilman realized that making dummies and heavily padded suits was not enough. He added a number of refinements such as life-like rubber dummies—called "Popbacks" and "Comebacks"—which bounce back after being hit. To these, Gilman added a complete line of charging sleds, each with individual features designed to develop a particular style of blocking. These sleds Gilman calls "Chargebacks," "Gobacks" and "Drivebacks."

Among the surprises of Gilman's life was an invitation to Hollywood for consultation on his football equipment which was used in a film. He accepted and went to California. Although his stay was pleasant, what with meeting screen stars and the fascination of movie-making, he was eager to get back on the road and sell his football gear.

Marty Gilman is a fellow who is in love with his dummies. They earn a good living for him and keep him close to the game he understood so well while playing for old alma mater. ■

We have heard much about those working women who today comprise a third of the nation's labor force. But what of the housewife's contribution to the economy?

If Housewives Had to be Paid

by Marcia Howse

IN COMMON with most young couples, when my husband and I married we took the view that his salary would make up *the source of support* for our household. From it I would receive my housekeeping funds and personal allowance, while he retained his expense money.

We also decided, early in our married life, to put whatever savings we could effect into an eastern telephone corporation. Early, too, I began to sense an error in calculations: we were actually living by higher standards than my husband's salary could provide alone.

Marcia Howse is a Kansas housewife who combines a busy writing schedule with her full-time domestic duties.

I began to realize what I, too, was contributing in time and labor. But because I was bound by the convention of silence that for ages has been the attribute of a good wife, I said nothing for—well—a great many years.

Several months ago when the head of our house lifted a long envelope from his coat pocket, I recognized both his smug look and the unmistakable sign of an addition to our investments. When he directed me to sign the form, saying, "My savings are really beginning to pile up," I determined at that moment to do a little bookkeeping on myself.

The next time my husband presented an investment form for my signature—again with a refer-

ence to "his" savings—I handed over a neatly filled notebook.

He opened it and found an accounting, at seventy-five cents an hour, of all the work I had done for the past three months. After going over my addition several times, being an honest man, he acknowledged that it was the work I had performed which made it possible to turn a new deposit over to the telephone company now!

What was I worth?

A lot more, in fact, than the notebook disclosed. Because at a flat rate of seventy-five cents an hour it isn't possible to hire people to do the variety of work I had done in the past three months. I had done less than most wives; we have only one child in our family. But I had set this low rate on my services in order to make my final point good and strong. So now I handed over a second notebook.

It was an exact copy of notebook number one, except that after each job-entry I had placed the amount we would have paid at going rates. Some of the jobs would have come as high as $2.50 an hour, some at four dollars an hour and a few as high as six dollars.

During these particular three months I had averaged nine hours daily, seven days a week, with no holidays off. The nine-hour day did not include baby-sitting or time for church and committee meetings. And my final figure omitted a petty $271 which writing in spare time had brought in.

At seventy-five cents an hour I had in three months earned $609.50. (Our latest investment in the telephone company amounted to five hundred dollars.) But at market prices I had earned $810. If I had added the $271 earned in writing, my three-months contribution to our home would have stood at $1,081.

How had I done it? I saved $46.70 by making (in sixteen hours and with an outlay of $17.29) a winter coat for myself that would have cost seventy-five dollars ready-made.

I washed the fifty-seven windows in our house at a time when window-washers were charging $1.25 an hour.

I house-cleaned our eleven rooms at the prevailing dollar-an-hour rate and gave them regular weekly scourings as well.

I washed and ironed 1,180 pieces of laundry, which included ten pairs of ruffled curtains, three heavy bedspreads, seven cotton scatter rugs, three cotton mattress covers and the canvas and cretonne of a porch lounge and chairs. For this the laundry would have demanded $118.70.

A painter wanted eighteen dollars to paint a porch floor; I did

the job with two dollars worth of paint. I also finished two ceilings with $2.40 worth of material. The upholsterer estimated a cost of $22.50 to re-do a chair; I did it with eight dollars worth of fabric.

Cooks, of course, couldn't be had at any price for the 180 hours I had spent over the range. And a well-trained nurse would have remained on duty only eight out of twenty-four hours to attend our child—sick with the whooping cough—and would have asked fifty dollars a week for that. It would have taken three such nurses to care for the child day and night as I did for three weeks—a sum total of $450.

Counting me at the market price, I was, apparently, worth something like $4,324 a year. Deducting my allowance, six hundred dollars, left me a net profit of $3,724. It was clear that if I had got club-fever, or card-fever, or had just sat down and been plain lazy, no one's name would have had a chance to go on the dotted line on *any* investment form.

Don't conclude that I work like a slave, or that I pity myself. I repeat that most housewives work harder, longer hours than I. Farm women do an immense amount of taxing manual labor. Many of my city friends do all the painting of woodwork, walls, ceilings and porches. Like myself, many of them mow the lawn and tend a garden in summer. Some even plumb and carpenter.

SHOULD ALL American housewives, from coast to coast, go on strike some morning, there is grave doubt that the male business world would continue running on greased wheels. Then if these same housewives were to demand shorter hours, two weeks vacation and pay . . . !

Of course no such possibility exists. Whatever time is needed to maintain her home as a center of living and a haven for her family the housewife will put in, paid or unpaid; for this labor is beyond price, both to her family and to her nation.

What's more, the healthy, energetic housewife still finds time for out-of-the-home interests. Even if she should sleep ten of the twenty-four hours and work at housekeeping for nine more, she has five hours to herself. Thriftily she can count on as many as a thousand such hours in a year.

The typical American housewife is frugal, industrious and full of good cheer and hope. She knows how much she's worth and gets on with her tasks proudly, with or without fanfare. But in her own way she deserves as much of the credit for the country's standard of living as the economic front-liner whose coffee she brews every workday morning. ■

MEASURE FOR MEASURE

...or, why you need more than a knowledge of languages to read the scales and yardsticks of many different nations!

by Morrison Colladay

YOU MAY BE one of those people who keep forgetting whether it is pints that make up quarts, or the other way around, and how many quarts, or pints, go into a gallon. Once you have the answer —and I forget at the moment just which way it goes—you may think that is the end of the problem. But if some confused soul were to ask you what an inch is, or what a foot, a pound, a gallon or a bushel is, you might not suspect that your answer depends on what country, or even which of the forty-eight states, you are in.

If you are motoring in England or Canada, your car's gas tank won't hold its rated number of gallons. The *gallon* in these countries is one-fifth larger than in the United States. In most other countries, you would buy gasoline by the *liter*, of which there are 3.7853 per U.S. gallon.

The British imperial *bushel* is larger than any of the fifty-six varieties of United States bushels. Although our Bureau of Standards defines one standard U.S. bushel, the various states allow different weights as equivalents for the volume of a bushel, depending on the commodity. Thus, a "bushel" of apples varies from 44 to 50 lbs., and a "bushel" of beans from 24 to 78 lbs.

A *million* is a thousand thousands and means that everywhere. A *billion* is something else again. In the United States and France it means one thousand millions. But in England and Germany it means one million millions. Thus an English billion would be a thousand billions in the United States, or a trillion.

AS FOR the *pound*, according to the U.S. Bureau of Standards it

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Morrison Colladay has contributed several interesting articles to past issues of CHALLENGE MAGAZINE.

is equal to exactly .45359 kilograms in the metric system. And if you inquire what the metric system has to do with the American pound, you will be told that the kilogram is the ultimate criterion of weight in the United States.

SIMILARLY, our national standard of length is not the *foot* or the *yard*, but the *meter* (39.37 inches), measured on a bar of platinum and iridium. This bar is a duplicate, as exact as man can make, of the world standard meter bar in the archives of the International Bureau of Weights and Measures in Paris. But even this copy, which is kept in our Bureau of Standards, is far too precious to be subjected to ordinary wear. Therefore, a second copy has been made for general reference. Despite fifty years of use, the difference between the two copies is now only .0004 of an *inch* (American variety).

Even the lowly inch is not uniform. The British imperial inch is 2.539998 centimeters long. We Americans—probably twisting the lion's tail again—use an inch of 2.540005 centimeters. Seven one-millionths of a centimeter can be neglected for all workaday and industrial purposes, but in the finest scientific measurements this discrepancy would mean significant errors.

In this confusion, the metric system offers a fairly universal frame of reference. The inventors of the system wanted to base it on some unchanging physical reality. They decided that the "meter" should equal one ten-millionth part of the distance from the equator to the pole, measured along a meridian. But their calculation of the distance was wrong, and so the meter is slightly off. Should all the bars and meter rulers be lost, the metric system of linear measure would be gone.

ASTRONOMERS have tried to get away from all this. They have devised units of measure for their own use. Their most familiar measure of length, the *light year*, is the distance light covers in one year, traveling at the speed of 186,272 miles per second. Since this unit is not large enough for the enormous distances astronomers deal with, they have invented the *parsec*, which equals 3.26 light years, or 19.2 trillion miles. An American trillion, that is.

In a world of nations that rarely see eye to eye on anything, one would think that, at the very least, there could be agreement on some uniform system of weights and measures. Thank goodness that through some oversight, in delicatessens all over the world, salami is still salami, anyway you slice it. ■

Florida lassoes a big-time beef-raising industry

Ranching 'mid the Palmettos

by Betty Cannon

ONLY TWENTY YEARS AGO the Florida cattle country was a wide-open no man's land. A cow belonged to the fellow who got there first with a branding iron.

Rugged cracker cowboys, with pistols primed, rode the palmetto-studded plains to claim scrawny scrub cows running the open range. Many a feuding cattleman faded away somewhere in the labyrinth of lakes stretching from Kissimmee to the Everglades, where "a boat don't leave no trail."

Today's cracker cowpuncher, more often than not astride a jeep, herds sleek cattle on lush ranges. Hard-working and serious-minded in a business that has brought him new prosperity, he returns each night to his wife and children in a modern home. And that's it.

As Tommy Bronson, Kissimmee cowpuncher, puts it: "Anyway, we cain't get time for much else—it's work all day and fold up at night."

The twenty-year evolution has paid off. Florida's cattle business, once a cutthroat backwoods operation, is now a billion-dollar industry. The Sunshine State ranks fourteenth in beef production for the nation; and first in point of percentage increase in herds.

MORE than 400 years ago, Ponce de Leon landed cattle in Florida to make this the oldest cow territory in North America. But it was not until the 1930s that Florida made its first real bid for a slice of the country's beef business. It began with fenced ranges and eradication of the deadly tick. It was built up through improved breeding and richer pastures.

Fences first appeared about 1930, and the tick was finally elim-

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Betty Cannon writes this story from her vantage point in Bradenton, Florida, where she is a reporter on the "Bradenton Herald."

inated in 1935 by a systematic dipping program staged jointly by the federal government and the state. But neither was accomplished without bloody opposition from cattlemen.

Taxes were paid by the head, but who knew how many cows a cattleman had on the open and remote range? Dipping for ticks meant declaring the herds. And fencing interfered with the age-old practice of rounding up all the cattle within reach.

The Thirties still saw range wars flaring throughout Florida—like those which swept the Western prairies during the last third of the nineteenth century. Scores of dipping vats were blown up. Four brothers were killed in a single night's clash, two fighting on one side and two on the other.

"IN THE OLD DAYS," recalls pioneer cattleman H. O. Partin of Kissimmee, "cows used to run the streets." Fenced land changed all that. Today, of the 35 million acres of land in the entire state, about four-fifths, mostly fenced, are devoted to range land. This amazes most tourists who think of Florida in terms of beach resorts, horse racing and citrus fruits.

The last ten years have seen production rise through upgraded breeding to a record 156 million pounds annually. In 1952, the Florida cattle business netted 32 million dollars, even with beef prices down.

All this happened despite the fact that Florida cattlemen inherited a reputation for producing beef about as appetizing as a cowhand's boot. Let cattle run wild for centuries, as they did here, chase them over open acres of wire grass and palmetto thickets, and what do you get—horn, hide, hoof and hair. This was what cattlemen had to start with; from there they proceeded to breed native cattle which could thrive in a tropical climate.

"IF YOU WANT a story about the Florida cattle industry, it will be a story of the Brahman—Brahman bulls and Florida cows," says Jim Park, eastern field man for the Brahman Breeders Association. "Without the Brahman we would still be trying to raise little Spanish cattle."

June Gunn of Kissimmee, Osceola County's popular agricultural agent, says more cautiously: "From 1934-38, a lot of Hereford and a lot of Brahman bulls were brought into the state. You don't find the Herefords today, but you do find the Brahmans." According to Gunn, 95 percent of the commercial cattle in Florida today are crossbreeds, bred up by use of Herefords, Angus and Shorthorns, but principally Brahmans.

The Brahman not only resists

attacks of insects and disease, but he has a built-in "air-conditioning" system. Unlike other breeds, he has the ability to perspire through sweat glands. And his pendulous hide provides him with a unique system of radiation. This East Indian native with a hump on his back is entirely at home chewing his cud beneath the blazing sun, and so are his crossbreed progeny. Other types walk off the hefty steaks and roasts searching for shade.

Tourists, still Florida's most lucrative stock in trade, are drawn to this land of flowers and balmy weather for its promise of a longer life span. Brahmans are affected the same way. A cow is as good for breeding at age twenty-four as she was at two.

To top it off, the Brahman supplies high quality, cheaply produced beef. A two-year-old Brahman bull commonly weighs 1,700 pounds or better. With his ability to transmit his characteristics, he has transformed the old scrub cow that tipped the scales at just 350 to 450 pounds and has enabled other breeds to adjust to life in the tropics.

As soon as the tick was defeated and ranges fenced, the improvemen of Florida's grasslands got under way. As an incentive, the Production and Marketing Administration under the Federal Conservation Program granted the rancher a portion of the actual cost of improving pastures. Now experiment stations throughout the state conduct a constant quest for better methods of producing more beef per acre for less money. Extension services relay information to ranchers.

Fortunately, the native range land works well in combination with planted pastures. Improved grazing land can supply feed in winter when the native range is at its poorest. But some supplementary feeding is needed, especially for purebred bulls, calves and weaker cattle. Here the citrus industry is playing a new part, to the tune of four million dollars annually. Wet pulp (residue from the canning factories), dried pulp, citrus cubes and citrus molasses have proved to be good beef-building fodder.

Truck farmers are now growing feed in off seasons for beef and dairy cows, while more and more citrus grove owners and vegetable growers are establishing herds to graze rotated crop land. Thus, with the exception of the tourist trade, three of Florida's major industries—citrus, vegetables and cattle—are inextricably bound.

Ease of marketing has been another boon to the Florida cattle industry, which so recently has realized it was born with a silver

spur on its boot. "We can sell veal calves alive in Jersey City the third day out of Florida," Agent Gunn says.

Fifty percent of the cattle are sold through local auction markets, of which there are twenty-two major ones throughout the state. Because of competitive bidding, the small rancher can get as good a price as his big-time neighbor.

In Kissimmee, for example, big packers buy eight hundred to 1,200 head a week at the auction market. To handle this volume, packing houses have sprung up all over the state. Swift is located in Ocala; Armour and Cudahy are just over the state line in Georgia. Lykes Brothers, probably the oldest packers in the state, have an ultra-modern plant in Tampa.

As for by-products, slaughterers tell you it is these that really pay off—the hides, fat, gelatin and medical extracts—rather than the carcass.

The result in employment is prodigious and unfigured. It may take only six cowhands to handle two thousand head of cattle, but it takes an army to handle all the ramifications—hauling, marketing, packing, machinery, fertilization of pastures, spray materials, feed production and experimentation.

WITH ALL its advantages and individual problems, the Florida cattle business is as sensitive to the national picture as a scrub cow to a bullwhip. Market prices currently are down; some say it is a natural leveling-off from artificially high wartime prices. Others point to the Texas drought which sent thousands of distressed calves to feeder lots, thus presenting Florida feeder cattle with heavy competition.

This national tie-up in some respects is as unpalatable as a cactus spine to Florida ranchers.

Used to carving their own destinies, good or bad, some nevertheless are reluctantly considering federal price controls. Others believe a better solution could be effected if small groups of banks would support the industry by pooling their available loan funds. The attitude of banks and investment houses has been favorable to the Florida cattleman since he exchanged his guns and Spanish cows for improved pastures and high-grade cattle.

RANCHERS in Florida today enjoy a high standard of living. Take a look at Partin's 35,000-acre Heart Bar Ranch in Kissimmee, with its beautiful lakefront and gracious, fully equipped ranch house in a luxuriant tropical setting. You know it is the good life. At the L. S. Harris Kissimmee ranch, if it weren't for registered Brahmans grazing on far-flung grasslands and Levis hanging on the

washline, the main house, shaded with moss-hung live oaks and bamboo, would look like a Southern aristocrat's residence.

Attracted by these conditions, newcomers from Texas and other cattle states are buying up huge acreage and establishing enormous herds. The Orlando Livestock Company, a Mormon outfit from Utah, recently purchased 225,000 acres that reach into three counties. Oldtimers like the Parker Brothers and Lykes Brothers also operate vast holdings.

The Florida cattleman, however, has no intention of letting his hard-won prosperity slip through his fingers. He has made the cattle business a family affair.

Take Partin. He has built homes on his acres for each of his four sons and his daughter. "Instead of losing a boy, I'd get me a gal," he chuckles. The continuing relationship is cemented at birth. Each new arrival is presented with one or more cows, depending on the number of doting relatives, and a brand of his own.

The procedure is repeated each birthday and Christmas. These cattle run with the parent herd while young Johnny learns the lore of the range. By the time he is twenty-one and in the market for an independent source of income, he has three hundred to five hundred head of cattle to start ranching.

RANGE ROMANCE lingers on. Cowboys display their best roping and riding techniques in some two dozen Florida rodeos each year. Several have even gone on the national circuit, from Madison Square Garden in New York to Cheyenne, Wyoming.

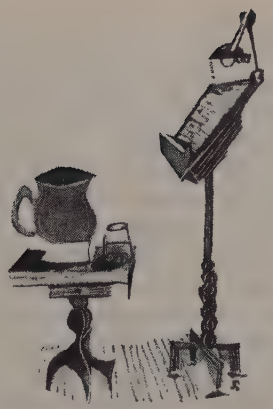
Oldtimers salvage a touch of the heady past in whip-popping contests. With sixteen-foot bullwhips, once standard gear for herding cattle, the old boys snap "ceegars" from smokers' lips, sometimes flipping two whips at once. In the evening, they swap stories of "Ol' Bone" Mizell, hardfisted, cracker cowboy wonder of the old range, who early learned to brand two cows for his boss and the third for himself.

But the modern, forward-looking Florida cattleman is usually "all business." This is the way they figure their future: 25 million acres of range land; four acres to a cow; that makes a potential gain from one and a half to more than six million head of cattle, or about three-fourths of what Texas has today. ■

Wasted Meat

Every man, woman and child in the United States could have had a free four-ounce serving of meat in 1952 if the beef, pork, veal and lamb wasted by rough handling could have been saved.—*Science Newsletter.*

WHAT KIND OF AMERICA? *From an address by Benjamin F. Fairless, Chairman of the Board, United States Steel Corporation, at a meeting of the Economic Club of Detroit, September 21, 1953.*



What Kind of America?

The present healthy pace of the economy will continue if we do not lose faith in the future and "talk" ourselves into a depression

by Benjamin F. Fairless

IT HAS ALWAYS seemed to me that whenever Detroit talks, it speaks the economic language of a growing, dynamic America. That is the kind of America I believe in; and it is the kind of talk that I believe in, too.

You see, the automobile industry and I were born at the same time, so I've watched it grow from a pup; and while I've never been a direct part of it, it has taught me a great deal about the true meaning of the word "enterprise." In fact, you people here in Detroit remind me a lot of the old Swedish prospector who went out to California and struck it very, very rich. Every time he disappeared into the hills he came up with a new vein of ore that was even bigger and better than the last one; and his envious companions were trying desperately to learn his secret. Finally, one day, he broke down and told them.

"Boys," he said, "I yoost keep digging holes."

And that's how it is with you fellows. Come Hell or high water, you yoost keep making cars!

If it hadn't been for "Detroit talk," America would not be what it is today; for "Detroit talk" has not only given us the automobile industry, it has created millions of jobs in almost every conceivable branch of our economic life, and has added billions of dollars to our national income.

Truly it is the language of progress and prosperity; but unhappily it has not yet become the universal language of American business. On many sides of us these days, we still hear a tongue that is wholly foreign to your own—a voice that speaks the language of pessimism, of timidity, of inaction, of alarm and of defeat.

And frankly, Gentlemen, I have been considerably concerned and completely perplexed by these pessimistic predictions of a coming recession. Everywhere we turn these days, we hear people asking whether there is going to be one, when it will come and how bad it will be. Some of our most learned and respected economists have come up with a wide variety of answers that run the entire gamut from "yes" to "no"; and the stock market seems to have given up the ghost completely and crawled down into the storm cellar for the duration.

So let's take a good look at these gloomy predictions. Let's ask ourselves if they're justified.

NOW THE most important factor that confronts us as we review our present situation is undoubtedly the great change that has occurred in the economic and political climate in which business operates.

For the first time in twenty years, the Washington trend towards socialism has been reversed. The government has begun to withdraw from competition with private enterprise. Price and wage controls have been lifted and a free market has been restored. Inflation has been sharply checked. The Cost of Living Index shows that we have an honest dollar again—a dollar that will buy almost exactly as much today as it did twelve months ago. And most important of all, of course, is the truce in Korea.

In short, we not only have peace —uneasy as that peace may be— but we also have, perhaps, a greater freedom of enterprise than we have enjoyed at any time in the past two decades. These are the things we have hoped for, fought for and prayed for, these many weary years; but to our utter amazement we now discover that they are the very same things that our pessimists cite in justification of their gloomy predictions. They tell us that just because we do have peace, and an honest dollar, *a recession is inevitable!*

So if we analyze these predictions and study their full implications, we find, I think, that what the pessimists are really saying is this: that war and inflation are essential to America's prosperity, and that without these two things we cannot maintain our maximum standard of living.

Gentlemen, I know that all of us

renounce that philosophy with every ounce of plain, old-fashioned common sense that we possess. I don't believe we can ever increase our national wealth by spending the blood of our youth on some battlefield, or by exhausting our natural resources on the engines of war. War never enriches nations; it impoverishes them.

Nor do I believe that America can ever increase its economic health by becoming a nation of monetary dope addicts. These repeated injections of printing-press money may give us a temporary illusion of prosperity; but in the end they can only undermine our fiscal health and security by eating away the savings of our people and by cheating the millions of patriotic men and women who have bought defense bonds.

FOR A number of years, a great many of us who are right here in this room today have been telling the American people that the only basic essential of a healthy, prosperous, steadily growing economy is a free system of enterprise—a system of private initiative and incentive, with free competitive markets, an honest dollar and a chance to direct its industrial might into peaceful channels of production.

Well, to a very large degree, at least, we now have what we asked for. We have the basic essentials; and it's up to us to deliver.

This is our chance, and we can't afford to muff it; for nothing on earth could possibly give more aid and comfort to our communist enemies abroad, and to our socialist-minded friends here at home, than a first-class recession in America. Their only hope is that the sudden ending of war and inflation will send our economy into a tailspin. Then they can tell the world that free enterprise was the cause of it all.

BUT THEIR HOPE is fading fast. The only real glimmer that remains is the chance that we may yet "predict" ourselves into a recession; and Gentlemen, I believe we could do just that.

If I were a socialist, and if I wanted to discredit the free enterprise system by producing a serious business slump, I think I would start predicting from the housetops that hard times were on their way. And if I could shout long enough and loud enough, and could get other people to take up my mournful cry, I think I could frighten millions of customers right out of the market place.

In the same way, too, I think I might persuade a number of businessmen to become jittery and over-cautious—to postpone the introduction of new models and new products, to cut back their expenses, deplete their inventories,

curtail their research programs and pare down their payrolls. And if I could get enough customers and enough businessmen to believe me, we would very shortly have a sure-enough recession on our hands; and I would be a great prophet, a friend of the people and a shoo-in for public office.

But the distressing fact today is that many of the gloomy predictions that we hear from time to time are not coming primarily from our socialist-minded friends at all, but often from reputable economists and from business and financial experts who honestly want a free enterprise system.

Now it is a little hard for me, of course, to understand how anyone who believes in a free economy in theory, can show so little faith in it in practice; but I want to make it perfectly clear that I do not challenge the sincerity, the integrity or the professional ability of these gentlemen in any way. I do, however, question their perspective, their sense of proportion and their terminology.

And to illustrate what I mean, let me turn for a moment to the only field in which I feel that I am qualified to debate the merit of their conclusions.

One of the barometers upon which these gentlemen rely heavily in preparing their forecasts of the economic weather is the operating rate in the steel industry. That of course is an excellent barometer, and it has been falling recently. Except when strikes have interfered, the steel industry has been running for many months at 100 percent of capacity or better; but in June, the rate dropped below the 100 mark and has never since climbed back to that level. Last month this barometer stood just under 95, and I judge that it will probably average somewhere in that general neighborhood for the rest of the year.

So our economic weather men are entirely correct when they say that steel production has fallen off; but it seems to me that they have become so obsessed with this downward trend, that they've lost all sense of proportion.

The truth is, of course, that on the basis of present orders, and barring unforeseen work stoppages, the American Steel Industry will produce, and will sell, more steel this year than it did in the all-time record year of 1951.

And if that's what our weather men mean by the word "recession," I can only say that the employees and the stockholders of U.S. Steel would like to see that kind of a recession for the rest of their natural lives.

During the wartime years of 1941 to 1945, when we were breaking our necks to produce every pound of steel that we could, the

average operating rate for the industry as a whole was just 94 percent of capacity—or almost exactly what it was last month.

But remember, of course, that our total capacity in those days was much smaller than it is now; and even if our operating rate today were to drop as low as 81 percent of present capacity, we would still be producing, and selling, more steel than we did all through those frenzied years of World War II.

So it seems to me that these fellows who are so alarmed by the recent trend in steel are a lot like the restaurant owner who was complaining to a customer about how terrible his business was. The customer was very much surprised.

"Why look, Joe," he said, "every table in the place is filled and I've seen you turn away at least a dozen people while I've been sitting here."

"I know," said the gloomy proprietor, "but six months ago I was turning away three dozen!"

Well, Gentlemen, as a steel man, I've learned to my sorrow, these last few years, that you can't make a profit on the business you turn away; and that's why I think that our present-day pessimists should develop a little perspective as they analyze these trends.

In saying that, I am not trying to minimize the importance or the significance of trends; but as a businessman, there is one statistic in which I put more faith than in any other—and that is the condition of the American Consumer's pocketbook.

Today more people have jobs in America than ever before in our history—about 63½ million of them, in fact. They are also getting the highest wages in history. Personal income of the American people as a whole stands at an all-time peak. They are spending more money than ever before; and in spite of all they are spending, they still managed to save the fabulous sum of 17 billion dollars last year.

Gentlemen, the market is there, and the money is there and all in the world we have to do is go out and get it!

If the product is right and the price is right, people are ready and able to buy it. We only have to make what they want; and to make them want what we make. So what our pessimists are really talking about is not a recession at all. It is nothing more nor less than plain, old-fashioned competition, with plenty of enterprise and salesmanship. And that's right down our alley!

Now all of us realize, of course, that many of the economic difficulties we see around us are properly the concern of government, and that it is not within

our power, as individuals, to correct them.

We know that our jerry-built tax structure needs a complete overhaul job, so that the enormous revenues which our government must have, can be raised without destroying the incentive of our people to produce more and to buy more.

We know that farm income is declining; and that no one has yet devised a government price-support program that will promote readjustment instead of perpetuating maladjustment.

And we know that millions of people in foreign lands are eager and anxious to buy American products, but are not permitted by their governments to do so.

A proper solution of these problems in Washington would give a magnificent lift to the whole level of business activity; but much as I want to see these problems solved, I do not share the unreasoning impatience of some of my fellow citizens who have been so critical of congressional delay in acting upon them.

It seems to me that one of our major difficulties stems from the fact that these important issues have, for twenty years, been the subject of ill-considered, stop-gap legislation that was jammed through the mill under the pressure of constant crisis and emergency. Now for the first time they are being subjected to thoughtful and exhaustive study by committees of conscientious and capable men; and I, for one, am willing to await the findings and recommendations of these committees, for it had never occurred to me to expect that all of the evils of the past would or could be corrected in the space of a few months.

But important as government action will be in its influence upon our general economy, the task of shaping America's future still rests, I believe, primarily on the American producer. So what are we waiting for?

We know what kind of America we want—an America that is free, peaceful and prosperous—a land of ever-growing opportunity with a constantly rising standard of living for all of our people in every walk of life.

But that kind of America was never built—or kept—by men of little faith. It was built by men of courage and daring who had confidence in themselves and who were willing to risk their fortunes and their lives for what they wanted. In no other spirit could our American system have been conceived, and in no other spirit can it survive.

All in the world we really need is less pessimism, more "Detroit talk" and a full realization of the fact that nobody has yet made a dime by selling America short! ■

crats for a bigger Air Force and more civil defense could boost defense outlays by more than $10 billion. Taxes, it is generally agreed, are the best way of financing this extra defense without going even further into debt. With less tax revenues flowing into Treasury coffers next year, a manufacturers sales tax or new "selective" excise taxes at the retail level are a good possibility. Economists don't care for this "invisible" taxation which invariably means higher prices and could discourage consumer spending and curtail sales.

Uncertainty over Government defense plans partly explains the nervousness of some businessmen at a time when business is still phenomenally good.

World production is finally catching up with world demand as foreign buyers get choosy in their purchases from us:

Despite falling commodity prices, farm exports are down 30% over last year. With exports amounting to about 10% of shrinking farm income, Agriculture officials are offering farm surpluses for overseas sale at world prices.

Commercial exports from the U.S. have fallen 13% over last year. The drop is particularly serious in coal (down 45%), iron and steel (down 22%), and oil (down 14%).

This may be a healthy sign, since it means that our allies are producing more and are no longer altogether dependent on the American taxpayer. Still, economists are not altogether happy:

Sales of the world's leading industrial suppliers, England, Canada and Japan, are also slipping in face of growing German competition.

ECONOMICS IN ACTION

Import curbs on dollar purchases hinder European production which often has to rely on inferior substitutes. U.S. tariffs, on the other hand, by excluding foreign goods, deprive our allies of the dollars they need to pay for our products.

With industrial demand in the U.S. showing signs of weakening, we can ill-afford to lose our foreign markets. Many economists believe that the only way to export more is to import more. Easing tariff curbs would be a big step in that direction.

Christmas goods are already on the shelves as retailers get set for all-time record sales:

Toys will be more plentiful than ever to meet the zooming baby market...Three and a half million babies were born this year alone.

Prices probably will be higher than last year, but quality will also be better.

Forecasters believe that Americans are going to spend 10% more on Christmas gifts than they did in 1952.

The Department of Better Mousetraps: a wrist-radio that will pick up broadcasts within an area of forty miles...rose-scented "dress-up" baby diapers...magnesium baseball bats...shoes for walking on water... a slide rule for bridge players who can't figure out what to bid...toy submarines...artificial mushrooms... a "windup" safety razor with forty inches of continuous blade rolled up inside it...a food tray for the blind...canned ice...polarized sun glasses that can be used to look at 3-D movies...and, finally, a machine that lets you sit inside while washing the outside of windows. A metal arm carrying a wet sponge moves over the window in successively higher arcs.